

Corporate Social Responsibility in the Modern World-System

A Case Study of German Automobile Corporations' Social and Environmental Responsibilities in South Africa

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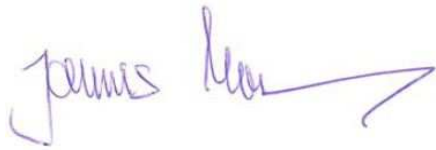
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March 2010

DECLARATION

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ABSTRACT

The world today continues to be characterised by ongoing – and in fact increasing – social and environmental problems. Furthermore, the politics of deregulation and liberalisation have weakened states’ regulative capacities while transnational corporations have grown in size and influence, and power has shifted from citizens towards consumers. One prevailing response to social and environmental problems by the business world and to the shift between the state, private sector, and society is reflected in the concept of Corporate Social Responsibility (CSR). The increasing attention paid to CSR by business managers, society, and the state has led to a change in corporate strategies.

In line with its normative character, CSR can only remain a “concept”, i.e., its definition will always vary (Davis et al., 2006). The current CSR debate emphasises the business case for CSR and focuses on the win-win scenario. In fact, several studies have proven that CSR can be beneficial for companies but less attention has been paid to the question whether CSR is also beneficial for societies and states.

The overall objective of this study is to analyse how CSR impacts the economic landscape. The thesis examines whether CSR strengthens the relations between the state, the economy, and society by supporting multi-stakeholder initiatives and contributing to sustainable development. In a first step, a critical socio-economic analysis establishes a theoretical understanding of the CSR concept. In a second step, the case study analysis of BMW SA, Mercedes-Benz SA and Volkswagen SA illustrates how TNCs with a highly developed CSR operate in the classical semi-peripheral country South Africa.

The findings of the case study illustrate that the three corporations acknowledge CSR as a core management strategy for improving competitiveness while they try to be a generous corporate citizen and employer. The German automobile companies have already implemented social and environmental standards that often go far beyond the South African norm. But the subsidiary companies’ CSR organisation is deficient compared to that of their parent companies. Their South African CSR strategy focuses on efficiency improvements internally while the corporations represent themselves as good corporate citizens by employing various philanthropic projects

externally. The South African subsidiaries, furthermore, stick to their old patterns of power politics instead of more equal forms of multilateralism that includes various stakeholders.

In conclusion, CSR in fact illustrates that corporations can improve social and environmental conditions internally when these also contribute to meeting financial goals. But this hardly results in significant improvements for society. Even if corporations acknowledge criticism more than in the past, the intention is not intended to strengthen fair multi-stakeholder initiatives but to try to set the agenda in their own favour. Although CSR symbolises the way towards a more inclusive form of capitalism, it does not change the fundamentals of the modern world-system.

OPSOMMING

Die kontemporêre wêreld word voortdurend gekenmerk deur herhaalde en feitelike sosiale- en omgewingsprobleme. Boonop het die politiek van deregulering en liberalisering state se regulerende vermoëns verswak, terwyl transnasionale maatskappye gegroei het in grootte en invloed, en mag het verskuif vanaf burgers na verbruikers. Die besigheidswêreld se heersende antwoord op sosiale- en omgewingsprobleme en op die verandering in verhoudings tussen die staat, privaatsektor en die samelewing word gereflekteer in die konsep van Korporatiewe Sosiale Verantwoordelikheid (KSV). Die toenemende aandag wat besigheidsbestuurders, die samelewing en die staat skenk aan KSV het gelei tot 'n verandering in besigheidsstrategieë.

As gevolg van sy normatiewe karakter kan VMV net 'n "konsep" bly, d.w.s., die definisie daarvan sal altyd varieer (Davis et al, 2006). Die huidige KSV debat beklemtoon besigheid se standpunt t.o.v. KSV en fokus op die wen-wen scenario. Verskeie studies het bewys dat KSV voordelig kan wees vir besighede, maar minder aandag is daaraan geskenk om uit te vind of KSV ook voordelig is vir samelewings en state.

Die algehele doel van die studie is om te bepaal watter impak KSV op die ekonomiese landskap het. Die proefskrif ondersoek of KSV verhoudings tussen die state, die ekonomie en samelewing versterk deur 'n bydrae te lewer tot volhoubare ontwikkeling. Eerstens, word 'n kritieke sosio-ekonomiese teoretiese analise van die KSV-konsep daargestel. Tweedens, wys die gevalle-studie analise van BMW SA, Mercedes-Benz SA en Volkswagen SA daarop hoe Transnasionale Korporasies met 'n goed ontwikkelde KSV te werkgaan in die klassieke voorbeeld van 'n semi-periferale land, Suid-Afrika.

Die bevindinge van die studie toon dat die drie maatskappye KSV erken as 'n kern-bestuurstrategie om mededinging te bevorder terwyl hulle probeer om meer vrygewige korporatiewe burgers en werkgewers te wees. Die Duitse motormaatskappye het alreeds sosiale- en omgewingstandaarde geïmplementeer wat gereeld die Suid-Afrikaanse norm oorskry. Maar die filiaalmaatskappye se KSV-organisasie is gebrekkig vergeleke met dié van hul moedermaatskappye. Hul Suid-Afrikaanse KSV-strategie fokus op doeltreffendheidsverbeterings intern terwyl die korporasies hulself voordoen as korporatiewe burgers deur ekstern deel te neem aan verskillende filantropiese projekte. Verder hou die Suid-Afrikaanse filiaalmaatskappye by hul ou magspolitiiekpatrone in plaas van meer gelyke vorms van multilaterisme wat verskillende aandeelhouers insluit.

Ten slotte, illustreer KSV dat korporasies sosiale- en omgewingsomstandighede kan verbeter en terselfdertyd ook finansiële doelwitte kan bereik. Maar dit hou nie eintlik beduidende voordele vir die samelewing in nie. Selfs al erken korporasies kritiek meer as in die verlede, is die bedoeling nie om regverdige multi-insethouer inisiatiewe te versterk nie, maar om te probeer om 'n agenda tot hul voordeel daar te stel. Alhowel KSV die weg na 'n meer inklusiewe vorm van kapitalisme simboliseer, verander dit nie die grondbeginsels van die moderne wêreldsisteem nie.

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ABBREVIATIONS

AHK	Deutsche Auslandshandelskammern (German Foreign Chambers of Commerce and Industry)
AIDS	Acquired Immune Deficiency Syndrome
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BMW	Bayerische Motoren Werke AG
CA	Corporate Accountability
CC	Corporate Citizenship
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CERES	Coalition on Environmentally Responsible Economies
CO ₂	Carbon Dioxide
COP	Communication on Progress
CR	Corporate Responsibility
CSER	Corporate Social and Environmental Responsibility
CSI	Corporate Social Investment
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DCSA	DaimlerChrysler South Africa
DJSI	Dow Jones Sustainability Indexes
DME	Department of Minerals and Energy (Republic of South Africa)
DVFA	Deutsche Vereinigung für Finanzanalyse und Asset Management (Society of Investment Professionals in Germany)
ESG	Environmental, Social, and Governance
GBC	Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria

GC	UN Global Compact
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GRI	Global Reporting Initiative
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Co-operation)
HIV	Human Immunodeficiency Virus
ICCA	Institute for Corporate Cultural Affairs
IFC	International Finance Corporations, a member of the World Bank Group
ILO	International Labour Organisation
IMF	International Monetary Fund
IMS	Integrated Management System
INGO	International Non-Governmental Organisation
IoD	Institute of Directors
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organisation for Standardisation
MBSA	Mercedes-Benz South Africa
MIDC	Motor Industry Development Council
MIDP	Motor Industry Development Programme
MNE	Multinational Enterprise
MWS	Modern World-System
NAAMSA	National Association of Automobile Manufacturers of South Africa
NBI	National Business Initiative
NGO	Non Governmental Organisation
NUMSA	National Union of Metal Workers of South Africa
OECD	Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturer

PPP	Public-Private Partnership
PWC	Price Waterhouse Coopers
R&D	Research and Development
SADC	Southern African Development Community
SAMAD	South African Motor Assemblers and Distributors
SEED	Schools Environmental Education Development project
TBL	Triple-Bottom-Line
TNC	Transnational Corporation
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
Unisa	University of South Africa
VW	Volkswagen AG
VWSA	Volkswagen of South Africa
WEF	World Economic Forum
WEO	World Economic Outlook
WHO	World Health Organisation

Chapter 1 INTRODUCTION

1.1 Background/Rationale

The recent global financial crisis and the subsequent recession in most countries around the world have, yet again, highlighted the major weaknesses of the modern capitalist world-economy. The inability of the economic system to counterbalance negative social and environmental developments and to reduce poverty, unemployment, and inequality, have reinforced the arguments of those politicians and scholars who stress the importance of the state for sustaining capitalist economic development. De-regulated markets seem to have weakened the economic system. In its October 9, 2008 issue, *The Economist* warned of a return to the state's involvement through re-regulation, an increase of protectionism, and other forms of state intervention to improve the position of the world's dominant economic system, capitalism.

The modern world-system (MWS) has also not been capable of resolving other major global challenges. The world today continues to be characterised by ongoing – and in fact increasing – social and environmental problems. Although the global economy still retains enormous strengths and many people have advanced economically in the last 25 years (Forbes, 2008)¹, the structure of the modern world economy has intensified major global problems such as environmental degradation, inequality, and resource scarcity. Furthermore, changes in social relationships worldwide have prompted new structural requirements in politics and the economy (cf. Sennett, 2007). An ideal balance of power in the modern world-system is complicated by a weakening of nation states (Giddens & Hutton, 2000; Reich, 2007: 5; Strange, 1996: 4; Wallerstein, 2001: 73), and a strengthening of transnational corporations (TNCs) (Bakan, 2005: 5; Korten, 2001; Thomas, 1997). Since the 1970s, the increase in global problems, uncompensated by weakened governments, has been coupled with a shift in market power and in public perception of the role of business (Googins et al., 2007: 25).

¹ According to Forbes ("How Capitalism Will Save Us", 2008: 18): "Never before have so many people advanced so far economically in so short a period of time as they have during the last 25 years. Until the credit crisis, 70 million people a year were joining the middle class."

Recognising that the era of so-called *neo-liberal*² policies has failed, *The Economist* (“Shifting the Balance”, 2008: 36) asserts that “more than a new capitalism, the world needs a new multilateralism.” One of the business world’s responses to the weaknesses of capitalism and the global problems it has generated in general is reflected in the concept Corporate Social Responsibility (CSR). Virtually every large firm today publishes corporate responsibility reports and offers online information on its social commitment. CSR aims to pursue an agenda that involves global issues and seeks to meet internal and external social and environmental expectations, which, in turn, helps companies improve their reputation and labour satisfaction, and to modernise their management structures and technology. The following definition of social responsibility is quite comprehensive:

“Social responsibility is the term given to policy decisions that are made by organisations that have an impact on society at large. Issues such as pollution, public policy, poverty, education, and the national health system are included in the term social responsibility. It is a strategic initiative established by the leadership of organisations to comply with legal requirements, ensure respect for people, communities, and the environment” (CBS, 2001).

Businesses, governments, and non-governmental organisations (NGOs) have embraced CSR and promote it as a solution for social, financial, and environmental problems. In fact, CSR has even been advocated as one possibility for preventing future crises. A report by the European Commission (COM, 2006: 2), for example, argues that “through CSR, enterprises of all sizes, in cooperation with their stakeholders, can help to reconcile economic, social, and environmental ambitions.” Some authors are already claiming that the modification in corporate behaviour towards more social responsibility is leading to a new era of “sustainable” or “inclusive” capitalism (Prahalad, 2006; Wood et al., 2006).

On the other hand, there are very few indications in the modern world economy that corporations are growing more responsible (Milward-Oliver, 2005: 63). Corporations continue to be major contributors to environmental degradation and social problems. Pollution and CO₂ emissions are rising (Yearley, 2004: 92), the inequality gap is widening (Giddens &

² *Neo-liberalism* (also referred to as *laissez-faire* capitalism) is an ideology which has dominated Western and also global governance in the last 20 years of the twentieth century and whose key principles include free-market individualism, private property, constitutional order, and minimal state intervention (Turner & Gamble, 2007). This interpretation emphasises the “transfer of ownership from public to private, and a re-working of what these two terms mean” (Sadler & Lloyd, 2009: 614). Neo-liberalisation, therefore, can be understood as the shift away from public-collective to private-individual values. In this story, Sadler and Lloyd (2009: 614) have described neo-liberalism as a “hegemonic project, a programme of governance arrangements that emphasise privatisation and competition.”

Hutton, 2000: viii), managers have been criticised for unjustified enrichment (Leyendecker, 2007: 20), and achievements in disease control have thus far been insufficient, with labour exploitation also not having been eliminated (Giddens & Hutton, 2000; Prahalad, 2006). In other words, there seems to be a contradiction between the expectations placed in CSR's promises and reality. Wallerstein (1997: 5) acknowledges that "the political economy of the current situation is that historical capitalism is in fact in crisis precisely because it cannot find reasonable solutions to its current dilemmas". The emphasis on CSR over the last decades is a reaction to the *laissez-faire* policy that has brought the capitalist system into a "dangerously awkward position" (Soros, 1998: 19). CSR is, however, also a continuation of *laissez-faire* capitalism, with corporations getting involved in areas that should be regulated by states or international organisations (Reich, 2007).

The prevalence of CSR as an economic concept is widely discussed, but has not provided much clarity. The concept, together with the inability of governments to find solutions to global problems, presents an opportunity to critically study the role of CSR in the modern world-system. Hence, this study intends to determine *what impact Corporate Social Responsibility practices and policies have on the role of multi-national corporations in the modern world-system.*

1.2 Problem Definition

The social impacts of corporations' CSR have been discussed extensively, but the focus is often limited to businesses' financial performance, disagreement about terminology, and the performance of localised CSR projects. The current CSR debate emphasises the business case for CSR and focuses on the *win-win* scenario³. Critical analyses of CSR's social impacts are scarce (cf. McFalls, 2007: 85; UN, 2008). Modern World-System theory contends that the world is characterised by growing inequalities as a result of the history of capitalism (cf. Chase-Dunn, 1981; Shannon, 1989; Wallerstein 1997, 2001, 2004). Accordingly, *win-win* scenarios have not been a frequent outcome of the interplay between large corporations and society. In fact, inequalities have increased with the development of modern capitalism due to processes in the accumulation, broadening and deepening of capital and the imbalance between the world economy and the interstate system.

³ See: Sustainability reports of BMW (2008: 2); Volkswagen (2008: 2); Daimler Strategy Paper (Daimler, 2008: 4). The *win-win* scenario will be elaborated in more detail.

Transnational corporations, international non-governmental organisations, and political institutions cite CSR as a strategy to fight inequality by improving social and environmental conditions while remaining competitive and profitable. Thus, the question whether CSR is capable of contributing to the resolution of social and environmental problems must be critically assessed (Reich, 2007). Though CSR has been advocated as an important strategy for sustainable development, “incompatibilities between business realities and development imperatives [have been] identified” (McFalls, 2007: 90). Prieto-Carrón et al. (2006: 982) have identified

“a fundamental distinction between methodologies designed to assess procedural compliance (e.g. with codes of conduct) and those designed to assess the impact of such codes and their observance on poverty reduction, working conditions, and environmental pollution. Only studies of the latter type assess the intended and unintended impacts of the various codes”.

Subsequently, they call for a more in-depth evaluation of the CSR agenda.

Furthermore, it can be argued that CSR actually intensifies social and environmental problems. CSR as an organisation-centred concept assesses “the importance of ecological systems from the perspective of threats to the firm rather than from a perspective of the firm’s threat to ecological systems” (Jones & Haigh, 2007: 53-54). This is in line with the rationale of many large companies that are not prepared to take responsibility for their actions’ negative external effects in order to ensure that their profits remain high. They call for deregulation and more personal social accountability as defined by neo-liberalism. Neo-liberal critics, however, claim that a deregulated economy leads to a decrease in social and environmental standards rather than an improvement thereof (cf. Utting, 2005). Moreover, CSR and “its imprecise relegation of civil society as a distant stakeholder implicitly promotes the infiltration of business into the political state” (Jones & Haigh, 2007: 54).

On the other hand, examples of businesses exist that have effected societal improvements through CSR, driven by the pursuit of profit. Mercedes-Benz South Africa (MBSA), for example, has been a major promoter of the nationwide fight against HIV/AIDS. This engagement has attracted great attention and already reached more than just MBSA employees. MBSA has been awarded for its HIV/AIDS engagement with the Workplace Award in 2002 and the Expanded Community Initiatives Award in 2008 both provided by the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC).

The overall objective of this study is to analyse how CSR impacts the economic landscape. This thesis examines whether the programmes CSR proponents advocate weaken the fundamentals of the economy and of political institutions, or whether the programmes are capable of effectively addressing social problems. CSR is assessed from a macro-perspective to determine what effect CSR activities have on the government and on society, and moves beyond the focus on financial performance. Select CSR programmes are evaluated, as are those social issues that are not addressed in the CSR programmes. Prieto-Carrón et al. (2006: 979) propose four aspects a critical CSR analysis ought to include. In line with their guidelines, this study focuses on (1) the relationship between business and poverty reduction; (2) the impact of CSR initiatives; (3) power and participation in CSR; and (4) governance dimensions of CSR.

To identify tangible examples of CSR's social impact while also limiting the scope, I decided to focus on corporations with well-developed CSR activities and a long tradition of social investment. Furthermore, the study is limited to a country in which societal problems are much more serious as compared to industrial countries. The semi-peripheral Republic of South Africa has been selected as the country of study and three *core corporations* (BMW, Daimler, and Volkswagen) as the units of analysis. While CSR may be regarded as a *core-strategy* (Muller & Kolk, 2008) predominantly fostered by corporations and governments from industrialised countries, it is interesting to determine CSR's impact in countries with weak governance structures, less competition, smaller national corporations, and cheaper labour which is less educated than the labour force of the core countries (Hönke et al., 2008). An investigation of the CSR of three German automotive manufacturers in South Africa will provide good examples of the limitations and flaws of the CSR concept, but will also demonstrate the concept's potential. Furthermore, in addition to its country-specific characteristics, South Africa serves as a good example of CSR's global implications (Hamann, 2006). Global problems like unemployment, poverty, and low skills combined with a relatively sophisticated economy are inherent to South Africa, a situation that reflects the global economic situation.

1.3 Hypothesis

The underlying hypothesis of this study is that *Corporate Social Responsibility is an important development within modern capitalism, but will not change the fundamental structures and dynamics of the modern world-system.*

CSR allegedly indicates a change of perception in business behaviour. This implies that corporations increasingly adapt their activities in order to gain social acceptance and promote environmental sustainability. It is not clear whether corporations actually help stabilise the modern world-system in the long term. Since CSR also entails the infiltration of business principles into society and politics, it can be argued that CSR contributes to the destabilisation of the modern world-system. When corporations begin to embrace social and environmental issues that are of universal interest, the business logic of profit maximisation could permeate areas that ought to be dominated by political and public debate. In that regard, CSR signifies a progressing *commodification* and, therefore, a continuation of historic capitalism. The study's main section examines the concept CSR more closely and identifies its prevalence in the scientific and actual environment. Why CSR represents a crucial development within modern capitalism must be clarified, as well as the concept's negative implications. Subsequently, the question whether CSR is capable of altering the fundamentals of the MWS is addressed. To arrive at results, case studies are carried out to determine whether the hypothesis can be verified or falsified.

1.4 Theoretical Framework

The question whether private businesses have a positive or negative impact on society is one that dates back to the period when private businesses were first established in the 16th and 17th century, at the onset of modern capitalism (cf. Wallerstein, 1974). Moreover, this question also refers to a fundamental theoretical discussion within the social sciences in general, namely how the modern world economy should be organised and, as it is dominated by the capitalist system, how capitalism, in turn, should be organised to generate prosperity and freedom. These questions can be incorporated in the analysis of CSR. Since a number of different viewpoints on and scientific approaches to the study of CSR exist, this chapter intends to provide an overview of the underlying discussions of the issue.

In the last 30 years, there has been little dispute that profit maximisation is a corporation's key priority. The scientific debate (which also inspires the debate on CSR) has predominantly rested on liberal theories. The two extremes are not represented by opponents and proponents of capitalism, but by conservatives, social democrats, populist right-wing politicians, or neo-liberals who seek policies to organise and *improve* or *domesticate* capitalism. The fundamental debate here can be described as one between free market proponents (neo-liberals, laissez-faire capitalists) and regulationists (anti-globalisation movements, left-wing politicians). According to Coase (1988), free market proponents with an extreme viewpoint believe that the normal economic system functions on its own. "For its current operation it is under no central control, it needs no central survey. Over the whole range of human activity and human need, supply is adjusted to demand, and production to consumption, by a process that is automatic, elastic and responsive" (ibid., 1988: 34). Free market advocates have often assured that their gradual reforms of capitalism "would ameliorate the inequalities of the world-system and reduce the acute polarization" (Wallerstein, 2001: 1). They consider a business corporation to be "a powerful engine of technological innovation and economic growth that is strengthening human freedom, spreading democracy, and creating the wealth needed to end poverty and save the environment" (Korten, 2001: 4).

Liberal market proponents argue that economic growth benefits all, including the poor, when an increase in wealth begins to *trickle down* (Stiglitz, 2001: vii). They also refer to the *Pareto criterion*, which contends that trade between two persons is likely to proceed when both sides think they themselves are better off than the other. Even when one person is 'better off' than the other, neither is 'worse off'. "Better off and 'worse off' are to be understood here to be merely matters of preference; a person is better off with A rather than B if and only if this person prefers A to B" (Haslett: 1994: 2). With reference to CSR, the Pareto criterion can be compared with a *win-win* situation that – according to corporations – is achieved through the implementation of their CSR strategies. And, in fact, both the Pareto criterion, as well as the *win-win* situation may emerge, but they are not adequate substitutes for moral values and norms. "No alternative as complex as a proposed economic system can possibly avoid making at least some people worse off; thus the Pareto criterion rules out every such alternative to the status quo from the start" (ibid., 1994: 3).

Civil society organisations and a critical public sphere draw attention to the fact that "the world has not morally advanced in the last several thousand years" (Wallerstein, 2001: 2). In their view, corporations carry some of the responsibility with their exploitation of the

workforce, natural resources, and damage to the environment. Moreover, poverty, wars, economic downturns or rising inequality are often blamed on capitalism. Free market critics contend that self-regulating markets do not foster social and environmental stability (cf. Polanyi, 1944). Polanyi discussed the shortcomings of the de-regulated market as early as 1944 in his book *The Great Transformation*. He concluded that the principle of the *trickle down effect* – that all members of society, including the poor, benefit from economic growth – had little historical support (cf. Stieglitz, 2001: vii). Secondly, Polanyi exemplified “how free market ideology was the handmaiden for new industrial interests, and how those interests used that ideology selectively, calling upon government intervention when needed to pursue their own interests” (ibid., 2001: vii). Polanyi arrived at the conclusion that industrialisation leads to a process of *disembedding* of the economy. By *disembedding*, Polanyi refers to a process where “growing levels of economic interwovenness coupled with technological advances truly [mark] a radical departure from past patterns of economic interchange” (Menz, 2004: 1).

At the same time, society increasingly became subordinated to the *logic of the market*. In other words, areas that had formerly been dominated by other logics were increasingly oriented towards the *logic of the market*. The *logic of the market* considers the economy to be “an interlocking system of markets that automatically adjusts supply and demand through the price mechanism” (Block, 2001: xxiii). During the *disembedding* process, which is also referred to as *commodification* or *Americanisation* (cf. Trichur, 2003: 50), economic decision-making spreads and begins to dominate social and/or political domains. Accordingly, the term *disembedding* expresses the notion that the economy is shifting towards autonomy, which implies that the economy is increasingly dislocating itself from its social and natural environment. This, however, leads to another fundamental question: whether CSR can contribute to society and the environment, and corporations can gain greater acceptance and improve relations between business, society and the state. This would imply that CSR may be an indicator for a *re-embedding* of the economy.

1.4.1 Modern World-System Theory

The theory of CSR can be described on a continuum between stakeholder and profit orientation and is practised within the social system of the modern world-economy. According to Wallerstein (1974), the modern world economy together with the interstate

system, constitute the modern world-system. This study builds on the approach of MWS theory, however, this does not mean that other approaches have not also influenced the research. In line with Polanyi (1944) and in contrast to liberal theory, which differentiates between three social spheres – the market, state, and civil society – that function according to their own individual logics, modern world-system theory contends that the political and economic spheres cannot be considered distinct social spheres; they are, in fact, two interrelated fields of study following a single logic (Wallerstein, 2004). Susan Strange (1996: xiv) acknowledges that international political economy cannot “be fully understood without paying attention to international business, and conversely, that international business and management could not be fully understood without paying attention to international and domestic politics.” According to Strange, the complexity of the modern world-system no longer allows a separation of disciplines in the social sciences (ibid., 1996: xvi). Consequently, MWS analysis is a multidisciplinary approach that includes the fields of geography, demography, sociology, law, anthropology, economics, philosophy, as well as political science (cf. Sanderson, 2005: 185; Strange, 1996: xv; Wallerstein, 2001).

Owing to misleading assumptions within neo-classical economic theory, as well as the growing complexity of the MWS, an evaluation of CSR in terms of its complexity and impact on society, the political system, and the economy must include an interdisciplinary analysis. Consequently, this study builds on pluralism by including critical debates and unbiased communication between the different approaches (cf. Zadek, 1993: 3). An analysis of CSR must involve an understanding of social justice, as well as an understanding of economic criteria like resource efficiency and profit maximisation. Furthermore, this assessment of CSR examines the general environment it is embedded in and its context in various fields such as history, social environment, economic rationality, and political dimension.

Nevertheless, even if individual decisions are based on pluralism – i.e., different logics which influence the development of the modern world economy – there are still some driving forces that constitute and dominate the systemic structure of the MWS. An analysis of CSR must take major developments within the MWS and driving forces into consideration. Therefore, it is necessary to trace the history of the modern world-system to identify patterns that explain why today’s world is unequal and how the system may evolve in the future. Wallerstein’s MWS theory is a structural and historical approach in the analysis of social change. Hall (1996: 1) states that “socio-cultural evolution must be studied from a ‘world-system’ or inter-societal interaction perspective” to provide a better understanding of social change. In this

vein, Skocpol and Somers (1980: 174) emphasise the “usefulness of looking at historical trajectories in order to study social change.” CSR is a concept that varies; it is conditional on expectations. That is why CSR as the unit of analysis must be evaluated with regard to time and place. To arrive at relevant results, historical events in the era of modern capitalism and the interstate system are included in this thesis.

One major advantage of MWS theory is that it has verified the prevalence of the logic of modern capitalism in the contemporary world. According to modern world-system theorists, development, underdevelopment and the current state of our globalised world, are the result of historical capitalism and the emergence of an interstate system characterised by competing nation states. Chase-Dunn (1981: 19) asserts that the modern world economy and the interstate system follow a common logic: a relentless determination to accumulate capital.

Wallerstein (2001: 57) refers to a system as being capitalist “if the primary dynamic of social activity is the endless accumulation of capital.” For a country to be part of the modern world-system, it must be at least integrated into the capitalist “production networks or commodity chains, and be located in states that participate in the interstate system which forms the political superstructure of this capitalist world-economy” (Wallerstein, 1989: 188).

“The interstate system is the political side of capitalism, not an analytically autonomous system, and its survival is dependent on the operation of the institutions which are associated with the capital-accumulation process” (Chase-Dunn, 1981: 19).

Moreover, the capitalist mode of production hinges on interstate competition. “The state and the system of competing states which compose the world policy constitute the basic structural support for capitalist production relations” (ibid., 1981: 26). These two arguments form the nucleus for the development of a definition of CSR, namely that strong states are crucial for the survival and development of the modern world economy (Strange, 1996; Wallerstein, 2001), and that both, states and corporations, follow the logic of capital accumulation. In a first conclusion, it seems that CSR has evolved into a primarily profit-oriented strategy and that nation states support corporations that pursue this strategy.

An interesting question thus is whether CSR can actually promote societal and environmental wellbeing. According to Wallerstein, the capitalist world-system has led to a rise in inequality and environmental degradation. Both are inextricably linked to the capitalist world-system, which is why critics contend that these problems cannot be resolved in such a system. On the

other hand, optimistic proponents of capitalism deem that the modern world-system and continuous economic growth – which should have led to a global reduction in poverty and increasing production efficiency, and, in turn, to the reduction of pollution – are capable of resolving pressing social and environmental problems. These opposing views are reflected in an ongoing debate on CSR, which initially took place between conservatives and liberals (cf. Walters, 1977), and has evolved into a debate between regulationists and free market advocates (cf. Jessop & Sum, 2006; Jones & Haigh, 2007).

Emphasising the advantages of a free market, Jones and Haigh (2007: 54) claim that some scientists think that “public policy formation, if given to the business sector, will produce equitable outcomes more efficiently than if such responsibilities were entrusted to elected national governments.” Consequently, CSR must be more efficient than government regulation. Critics, however, argue that “in terms of achieving returns on capital or efficacious social policy outcomes, the available evidence suggests that successful attempts to bring the delivery of public policy under the domain of finance capital are not guaranteed” (ibid., 2007: 55). In their view, one cannot expect any positive results from CSR as long as the modern world-system is dominated by the logic of capitalism.

Wallerstein (2001: 1) points out that 1989 symbolised not only a collapse of “communism” but of “liberalism” as well. “Liberalism essentially promised that gradual reform would ameliorate the inequalities of the world-system and reduce the acute polarization” (ibid., 2001: 1), but this does not appear to be the case. While it seems that the world is still dealing with these ongoing problems, my hypothesis is that CSR has actually not been able to bring about any change. Nevertheless, it can be argued that *because* the current economic system has not been successful in resolving these problems, future economic strategies must ensure that they are resolved. CSR has to be critically evaluated to identify the reasons why it has not made a positive social and environmental contribution. Moreover, examples of CSR success stories must be identified to develop criteria for more sustainable CSR strategies. According to Prieto-Carrón et al. (2006: 979), critical perspectives on CSR must include CSR initiatives which “not just benefit companies financially but also benefit workers and communities socially and environmentally.” This includes suggestions to investigate “(1) the ideological or ideational underpinnings of CSR; (2) which issues are included or excluded from CSR debates; (3) the absence of gender, class and race perspectives from CSR debates and initiatives; (4) actual as opposed to postulated effects of CSR actions; and (5) the inclusion of

a range of guiding principles in relation to regulations, profit strategies, governance and political responsibilities” (ibid., 2006: 979).

1.5 Research Approach

Generally speaking, the term CSR covers a business corporation’s internal and external impacts on society and the environment. The previous section highlighted the fact that the question of whether these impacts are positive or negative is quite controversial. CSR always has a normative character (Loew et al., 2004). Hence, an analysis of CSR requires a focus on ethics, stakeholder accountability, and our own value systems (Welford, 2002). CSR is the result of humans’ decisions. Contradictory positions are always taken on different social issues and stakeholders will not always agree with each other on how to approach them (ibid.). In order to deal with the ambiguity of the CSR concept, this study must be qualitative in nature. Qualitative research methods share a general acknowledgment for the subjective dimensions of social life. These methods are also marked by significant divergences and occasionally even disputes among the various practitioners. Yet qualitative research emphasises social actors’ subjective experiences and interpretation and the interactional process through which they engage with one another and with the world at large (Weinberg, 2006). A qualitative analysis must further include case studies and different contexts. It is interpretive, critical, and logical in practice (Neuman, 2000). Qualitative researchers carry out non-linear studies on the issues they investigate. That means that the study is built on successive steps, which sometimes move backward and sideways before moving forward (ibid.). This research will also include triangulation; i.e., I will examine the topic from different viewpoints.

These viewpoints are further elaborated when I develop a CSR definition in the first section of the thesis and when I later analyse the case studies from which I deduce the rationale behind CSR and its potential impact. The CSR definition, for example, has to include stakeholder, as well as shareholder theory because both have influenced corporations in their CSR development. Moreover, as already mentioned in the section on the modern world-system approach, this thesis takes an interdisciplinary approach to social sciences. Social sciences thus include the fields of political science, economics, sociology, philosophy, and history. The results of my research do not claim to be all-inclusive, but nonetheless represent

a comprehensive analysis of CSR. According to Weinberg (2006), qualitative studies should combine an appreciation of human creativity with an equal focus on scientific accuracy.

To better understand CSR as a result of human creativity, the first section of this thesis offers a historical overview of CSR. The overview is descriptive and explanatory in nature. A short analysis of modern capitalist history, beginning with the origins of the establishment of corporations, will serve as an introduction to the key issues. The immediate objective is to develop a critical definition of CSR, while including its historical evolution, factors multinational corporations should take into consideration (social and environmental global problems), and the impact on weak states of more recent CSR concepts. I consider CSR to be a process rather than an event; therefore, in order to present CSR as a product of historical capitalism, this study will also encompass *path dependency*. Thereby, CSR can be analysed as a product of causal possibility, contingency, closure, and constraint (Bennett & Elman, 2006).

Findings from this first section serve as a foundation for the following sections, in which the hypothesis is tested on specific examples. The second part then critically examines specific CSR strategies and projects. It questions the corporations' CSR concepts and aims to determine their broader impact on society and governance. In contrast to neo-liberal theory, I apply a framework that replaces *resource efficiency* with a criterion that focuses on a concept of *non-exploitation* (Zadek, 1993) and *sustainability*. Corresponding to Széll (2006: 36), my research approach can be summarised as being founded “in a critical social theory, based on historical-materialistic approach, combining the macro- and micro level analysis by oscillating between the general and the specific, without neglecting the meso.”

1.5.1 Case Study

To determine the impact of CSR, test cases with which the hypothesis can be tested, are required. The selection of case studies is thus a critical and decisive step for further analysis. The case study used here to evaluate CSR is limited to three German automobile corporations' subsidiaries BMW SA, Mercedes-Benz SA and Volkswagen SA (VWSA), which represent the units of analysis and operate on the territory of South Africa.

The three German automobile companies BMW, Daimler, and Volkswagen are active at the global level and possess subsidiaries in South Africa⁴. An analysis of their CSR strategies has to take their status as global players with German roots and their local interests in South Africa into consideration. It can be assumed that these corporations follow a certain tradition in how they position themselves within their social environment. As German corporations, for instance, they have traditionally had to embrace social welfare capitalism. That is why their CSR strategies can be assumed to be quite stable. In contrast, “Germany lacks the long tradition of CSR familiar from the Anglo-Saxon economies” (Loew et al., 2004: 7), which is why German companies may not have a distinctive CSR policy like their Anglo-Saxon counterparts.

In general, however, the automotive industry has been a trendsetter throughout history with reference to production processes and economic strategies. Therefore, the issue whether the automotive industry’s distinct CSR strategies could point the way for the future evolvement of CSR for the entire world economy is of particular interest. In addition, BMW, Daimler, and – with regard to some of its models, Volkswagen – all produce prestigious products for a prosperous customer segment and should, therefore, already have a highly developed CSR strategy. It can be assumed that these three corporations aim to achieve a leading image position and thus need a highly developed CSR strategy. According to several articles about CSR, a positive relationship exists between a company’s CSR actions and consumers’ attitudes towards the given company and its products (cf. Sen & Bhattacharya, 2001). Moreover, automobiles are a status symbol, but also a source of pollution and traffic accidents. Thus, BMW, Mercedes, and Volkswagen (as well as other manufacturers) undertake efforts to not lose their good reputation. In short, the three automotive manufacturers BMW, Mercedes, and Volkswagen provide excellent case studies to examine the impact and future development of advanced CSR.

My study trip and general interest in South Africa are not the only reasons why I selected South Africa to represent my case country. The main reason underlying this decision is the country’s general characteristics. CSR in South Africa may have far-reaching implications for the concept of CSR in general. With regard to Wallerstein’s modern world-system theory,

⁴ The BMW Group, the Daimler AG and the Volkswagen AG are the parent companies which have its headquarter in Germany. In South Africa the BMW Group is active as BMW South Africa Pty (Ltd.), the Daimler AG is manufacturing vehicles under the name Mercedes-Benz South Africa Pty (Ltd.) and the Volkswagen AG daughter’s official name of its South African subsidiary is Volkswagen of South Africa Pty (Ltd.).

South Africa is a classical semi-peripheral country. This implies that South Africa's economy displays characteristics of core and peripheral states⁵, e.g., a sophisticated, capital-intensive agro-industrial production, specialised, high-waged labour, and a relatively strong state on the one side, as well as high levels of poverty and inequality, labour intensive production, a high unemployment rate, and a high number of low-paid workers, on the other (cf. Shannon, 1989). The status of South Africa as semi-peripheral makes it comparable with the world in general, since South Africa's problems like unemployment, poverty, inequality, disease control, crime, and environmental devastation generally represent some of the most prevalent global problems. Hamann (2006: 1) has referred to South Africa in relation to its economic characteristics as "the world in one". The inability of South Africa's government to deal with all these problems and the promotion of CSR by a fairly *neo-liberal* South African government requires corporations even more so to attend to the nation's problems. The history of apartheid in South Africa and some policies that followed have left peculiar marks on South Africa's CSR, which will be elaborated later. Nevertheless, South Africa provides a good case country to study the impacts of BMW's, Daimler's, and Volkswagen's approach to CSR and may provide some insights into which direction the global CSR debate will go.

George and Bennett (2005: 5) define a case study approach as "the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalisable to other events." In contrast to *large-N* statistical studies, case studies are considered *small-n* studies. "Qualitative methodologists do not look for the net effect of a cause over a large number of cases but rather for how causes interact in the context of a particular case or a few cases to produce an outcome" (Bennett & Elman, 2006: 262). As already mentioned, this study intends to analyse the impact of CSR by taking a closer look at three German automotive manufacturers' CSR activities in South Africa, and finally, to draw some conclusions about the role of CSR in the modern world-system. Since an evaluation of CSR's impact in general would be too complex, I follow the recommendation of George and Bennett (2005: 13) to use "process-tracing as a means of examining complexity in detail and to suggest typological theorizing as a way to model complexity."

I have also already pointed out that the social impacts of CSR have not been extensively analysed. According to Eisner (1998, in McFalls, 2007: 89), qualitative case study research is

⁵ Comparable to names like *industrial* and *rural* or *developed* and *underdeveloped* countries. A semi-peripheral country corresponds to a *newly industrialised economy* or a *take-off country*, though Wallerstein's (1974) concept of a semi-periphery includes the possible decline of a semi-periphery into a periphery, as well as a rise into the circle of core states.

a recommended method where little previous research is available and no precise outcome can be predicted. The case studies' aim is to be descriptive in their exploration of the history, motivation, and corporate-level outcome. Consequently, the case studies will be *parallel* comparative-historical, rather than *contrast-oriented* (cf. Skocpol & Somers, 1980: 179). Accordingly, a comparison of the three German automotive companies' CSR will reveal more common grounds than differences in their CSR strategies. The goal is to find extensive information on BMW's, Daimler's, and Volkswagen's CSR-related behaviour in order to draw conclusions about their common CSR objectives. As a final point, I believe that analysing the CSR of specific corporations within a specific setting can provide important insights into the future role of CSR.

1.5.2 Conceptualisation

Conceptualisation is the process through which definitions can be specified in particular terms (Babbie, 2002). The hypothesis maintains that (1) CSR represents an important development within modern capitalism, and (2) it does not change the fundamental structures and dynamics of the modern world-system. Whereas the first section of the thesis illustrates the significance of CSR within modern capitalism, the second part (the actual case studies) investigates whether CSR changes the fundamentals of the modern world-system by exploring specific examples of CSR activity.

My own understanding of the fundamentals of the modern world-system in relation to CSR must also be elucidated. With respect to historical capitalism, profit-making is a corporation's first priority. Should CSR activities have an underlying logic other than profit maximisation, this would indicate that an intrinsic change in capitalism is possible. Corporations use different terms to illustrate that CSR is profit-oriented. When a CSR's primary incentive is reputation, technology development, labour efficiency, advertising, or other areas of competitiveness, then a corporation's CSR can be described as profit-oriented. The research question within the framework of this thesis aims to identify similarities and differences between BMW's, Daimler's, and Volkswagen's *motivation* in CSR engagement.

Even when CSR activities are profit-driven, they can still fight social problems *successfully*. CSR activities are *successful* if (1) corporations internalise their negative external effects (cf. Googins et al., 2007; Jones & Haigh, 2007), and/or (2) CSR activities have far-reaching

problem-solving competence (cf. Prahalad, 2006), or whether CSR promotes a “greater generation of positive externalities” (Jones & Haigh, 2007: 62). Negative external effects of automobile manufacturers in this case specifically include pollution in production and through their products, labour exploitation, illegal activities, and negative social behaviour of suppliers. Problem-solving competence can be identified by assessing the outputs of CSR activities with reference to social problem development in general. If corporations are able to make a decent profit and voluntarily internalise all negative external effects, *neo-liberal* theory, which maintains that a free market is capable of ensuring the best possible outcome for society, sounds plausible. If, on the other hand, corporations are able to make a decent profit but internalise any negative external effects only because laws and restrictions oblige them to, then the regulationist position, which contends that corporations only benefit society when they are forced to do so seems plausible. Neither finding would verify that a change of the fundamental structures of the modern world-system has actually occurred, but would indicate which direction modern capitalism may take.

In a final step, the studies analyse the changes in the relationships between business, society, and the political system. I presume that CSR is a concept that reinforces the economic relationship between business, society, and the interstate system. The question that needs to be answered is what the consequences of CSR are. Corporations have presumably strengthened their logic (profit maximisation) within society and the political system through CSR, resulting in a continuation of *commodification*. At the same time, CSR as a profit-oriented strategy may go beyond governmental regulation standards, and, therefore, actually improve social and environmental standards. If several examples for this are evident, the implication may be that CSR refutes the assumption that no solutions to the *crisis* of the modern world-system are available.⁶ Therefore, the impact of CSR activities must be evaluated, which is more than simply an analysis of CSR outputs, since the perceptions and implementation of CSR activities must also be included. How has CSR changed the public’s opinion of multinational companies? Are the CSR strategies mere *greenwashing* (cf. UN, 2008), or are there areas in which BMW, Daimler, and Volkswagen assume a critical position against irresponsibility? Where and how do corporations work together with civil society groups and governmental institutions to achieve social aims? Which logic prevails in CSR activities?

⁶ Wallerstein (2001: 1) states that “the modern world-system, as a historical system, has entered into a terminal crisis and is unlikely to exist in fifty years.”

To briefly summarise, the following Research Questions are addressed in this thesis: The first part (historical analysis) examines the *nature* of CSR. The following questions are examples of issues raised:

- What precisely is CSR?
- What is a corporation?
- What are corporations' traditional responsibilities?
- How have these responsibilities changed over time?
- How has the modern world-system changed, and what impact does this have on CSR?
- What are currently the world's most pressing social and environmental problems that ought to be addressed by a multinational corporation?

The second part (case studies) focuses on the impacts of BMW's, Daimler's, and Volkswagen's CSR in South Africa. The following research questions are addressed:

- How do these corporations define CSR?
- How and where is CSR implemented?
- What are the reasons and the content of present CSR initiatives?
- How do the CSR activities of the three corporations differ?
- What is the social and environmental impact of present CSR initiatives?
- How do these corporations engage in poverty reduction and other social and environmental problems?
- How do BMW, Daimler, and Volkswagen's CSR strategies in particular interact with the political and social system when it comes to social and environmental questions?

1.5.3 Operationalisation

The operationalisation process is realised by "linking a conceptual definition to a specific set of measurement techniques or procedures" (Neuman, 2000: 123). The primary objective of the first section is to establish a clear and comprehensive overview of CSR's state-of-the-art. Next, the hypothesis is tested with a case study analysis. The research is based on three methods: a literature review, content analysis, and interviews.

The literature review is not limited to recent publications. Emphasis is placed on publications on modern capitalism, corporations, interstate system, CSR, global environmental and social

problems, the newer social history of BMW, Daimler, and Volkswagen, and South Africa's economy, political system, and society. The literature review is complemented with research derived from journal and newspaper articles.

Content analysis (sometimes also referred to as *textual analysis*) is a standard methodology in social sciences for studying the content of communication. My content analysis is not limited to publications on CSR, but also includes Websites, ad hoc documents, and other publications by the three corporations examined here, labour unions, NGOs, international organisations, and the South African government.

According to Berg (2007), an interview is a conversation that takes place with the purpose to gather information. Because of the distrust towards CSR reporting (Burchell & Cook, 2006; Galan, 2006), the research process will not only rely on a content analysis and literature review. An interview can help the researcher collect further essential information. The interviews conducted within the framework of this thesis were semi-standardised (Berg, 2007), so that the wording of questions remained flexible and could be adapted to the individual interviewed, without sacrificing its ultimate purpose of uniform information-gathering. To gain a solid understanding of the three automobile manufacturers' CSR, I interviewed the corporations' CSR managers and an external CSR professional. The objective in the selection of interview partners was to collect different viewpoints and to ensure the study's validity. Constrained by the fact that this thesis was written in Germany, questionnaires represented a suitable alternative to face-to-face interviews.

1.5.4 Limitations and Delimitations

A major limitation of the study is its *lack of representativeness*, which is inherent to qualitative case studies. According to George and Bennett (2005: 30), "case researchers do *not* aspire to select cases that are directly 'representative' of diverse populations and they usually do not and should not make claims that their findings are applicable to such populations except in contingent ways." Nevertheless, social impacts such as a qualitative weakening of governance capabilities or commodification of South African society are relatively difficult to measure quantitatively, so that a detailed consideration of contextual factors seems appropriate. "Case studies [however] allow for conceptual refinements with a

higher level of validity over a smaller number of cases” (ibid., 2005: 19) than is the case in quantitative studies.

Next to the *lack of representativeness*, several other limitations exist as well. The three automobile manufacturers are not representative of the South African economy as a whole, just as South Africa does not represent the world economy. There are some similarities, as already mentioned, but one important difference is South Africa’s apartheid history that, for example, has led to the Black Economic Empowerment (BEE) programme requiring corporations to comply with specific and unique rules. Corporations that operate in South Africa have to adapt their CSR policy to BEE. In this respect, South African CSR strategies differ from the CSR strategies in other countries. Furthermore, the limited time span (from the end of apartheid until today) prevents an analysis of long-term development of CSR.

Another limitation is the macro perspective the study takes. The cases will not be analysed in depth. The benefit is that more cases can be included and a better assessment of the impact of CSR in a macro context made. Furthermore, the case study does not elaborate on all CSR standards, guidelines, and projects that may be of interest for the general impacts on society of the three case corporations’ CSR. Although this study attempts to include the most important issues, it does not analyse them all in detail.

Figure 1 illustrates the scope of this study. As previously addressed, the study is limited to the CSR of BMW, Mercedes-Benz, and Volkswagen in South Africa. A comprehensive definition of their CSR activities, encompassing a historical, social, economic, and political dimension, is included. Social problem areas are defined according to global and South African relevance.⁷ The study aims to illustrate what impact the specific CSR activities have on South African society and South Africa’s political system in order to draw conclusions about the broader impact of CSR on the modern world-system.

⁷ Relevant social problems are derived from the literature review. For example, *The Handbook of Social Problems* (Ritzer, 2004), emphasises ecological and work-related issues, inequality, racism, diseases, conflicts, corruption, crime, and consumption. I include these problems in my CSR analysis, but selection and relevance will be discussed in more detail later.

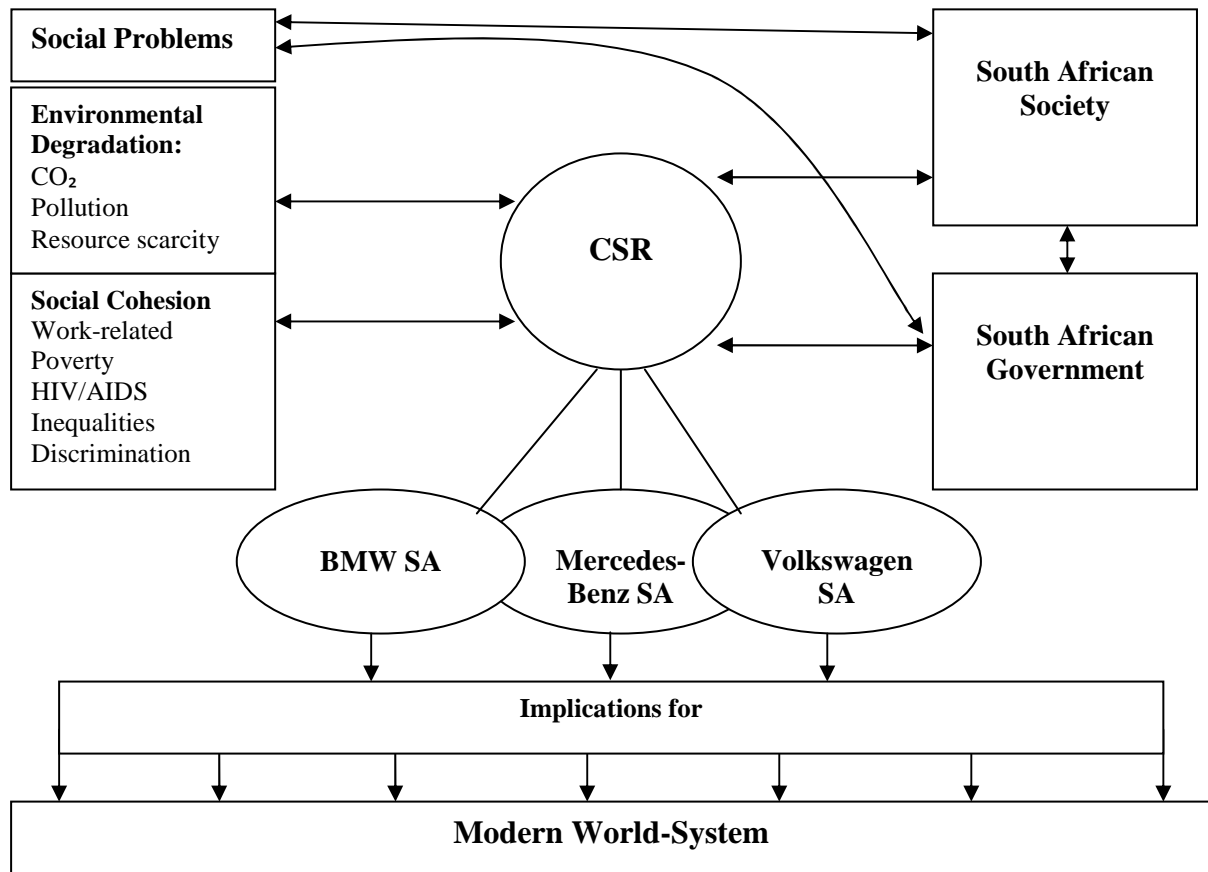


FIGURE 1: Scope of study

A further limitation of the study is the fact that detailed information on the CSR of BMW SA, MBSA, and VWSA is scarce and often limited to facts provided by the corporations themselves. CSR of the South African subsidiary companies, furthermore, is underrepresented within CSR reporting. The interview questionnaires partially fill this gap, but the questionnaire would have been too extensive if all the missing information had been asked in the form of questions.

1.6 Structure of the Study

The first chapter includes the introduction, outline of the statement of the problem, the hypothesis, theoretical background, and the research design. Chapter 2 provides a more in-depth overview of the concept of CSR. Chapter 3 includes a brief history of the origins of the modern business corporation and defines the main characteristics of the “limited-liability joint-stock company” (Micklethwait & Wooldridge, 2005: xvi), while investigating the contradiction between the nature of a corporation and the concept of responsibility. In Chapter 4, the developments of modern capitalism are elucidated. The historical analysis here

concentrates on corporate change and the development of global social and environmental problems, changes of social cohesion, and the weakening of the nation state. The fourth chapter concludes with a conception of recent CSR. Arguments for and against the concept are discussed to define CSR and the hypothesis that will be tested through case studies. After establishing CSR criteria, Chapter 5, 6 and 7 represent the core of the study in which the hypotheses and assumptions are tested. The chapter begins with an overview of CSR in South Africa and provides some insights into BMW's, Daimler's, and Volkswagen's CSR activities in the country.

Chapter 2 Defining the Concept of CSR

2.1 A Definition of the Terms Corporate, Social, and Responsibility

The term *CSR* is composed of three words: *Corporate*, *Social*, and *Responsibility*. Within the context of CSR, the term corporate refers to a modern business corporation. Capaldi (2005: 413) describes the corporation as “an enterprise association, that is, individuals are voluntarily involved in the pursuit of a common substantive purpose, specifically a productive undertaking.” The three German automobile companies Volkswagen, BMW, and Daimler can be described as modern business corporations.

The term social simply refers to the interaction between people (*Sozial*, 2005). Moreover, it refers to humans’ collective co-existence, irrespective of whether they are aware of it or not, and whether the interaction is voluntary or involuntary. The term social, however, can also have an excluding character. A corporation may behave ‘socially’ towards its workforce or the communities surrounding its factories. The corporation thereby only benefits a specific group of people, not all of society. This does not insinuate that the corporation is socially responsible. The word social already implies a contradiction with reference to CSR. For members of a corporation who work towards a common substantive cause, acting socially implies that their efforts benefit society as a whole and not only a specific group of people. Pursuing a corporate aim may, however, entail anti-social behaviour. A logistics company, for instance, always causes pollution when it transports goods from A to B by road, sea, rail, or air. Pollution causes disease or damages the environment and thus negatively affects people. This example illustrates that the word social in the context of CSR does not only refer to social issues, such as the improvement of security standards or the increase in salaries. It may also involve environmental aspects that can either have a negative or positive affect on society in the long term. A corporation that cleans a polluted river, for instance, can also be described as acting socially responsible.

Some authors have replaced the term CSR with CSER (Corporate Social *and Environmental* Responsibility) (e.g. Fig, 2007; Utting, 2007) to point out that CSR addresses social and environmental issues. Other authors no longer use the term social in CSR and simply refer to CR (Corporate Responsibility) (e.g. Egri & Ralston, 2008; Prout, 2006; Zadek, 2004),

although they acknowledge that CR deals with both social and environmental issues. In this study, the term social in CSR also incorporates environmental aspects. According to Egri and Ralston (2008: 319) “the impact of social and environmental issues are fundamentally intertwined and transcend national boundaries”. Although CSER or CR is the more accurate term, CSR is more commonly used and is, therefore, used in this thesis as well. That is, this study views CSR as integrating both social and environmental components.

The third term, responsibility, refers to *social* behaviour. The word responsibility conveys trustworthiness and can be defined as “the trait of being answerable to someone for something or being responsible for one’s conduct” (*Responsibility*, 2009). If somebody is responsible for his/her action, he/she must also be held accountable for that action and its consequences. Accordingly, a responsible corporation has to be accountable for its actions and, consequently, tries to maximise trustworthiness to meet the expectations of persons who have a stake in the firm. Responsibility consists of different levels. According to Oshana (2001), for example, if a corporation’s actions have obvious negative effects, society will expect the corporation to take responsibility, i.e. causal responsibility, for them. Responsibility can then, however, turn into a duty or obligation. “In describing a person as ‘responsible’ for some act or state of affairs, we may be expressing the belief that the person has a duty” (ibid., 2001: 13280). That is, someone who can be held responsible for something implies that he/she also has certain responsibilities towards others. “Claiming that a person is responsible for [something] in this sense is to credit responsibility prospectively; it is to look forward to what the person is duty bound or obligated to do” (ibid., 2001: 13280).

To summarise, responsibility with reference to a corporation consists of two spheres: first, responsibility can be a reaction to societal demands that arise if a corporation’s activities have negative effects on society. In other words, responsible behaviour would be a corporation’s response to society’s criticism of its actions. Secondly, a corporation’s behaviour is always characterised by responsibility as a form of self-awareness or moral commitment. This form of responsibility is driven by the aspiration to make the right management decisions to meet future societal expectations. Furthermore, the attitudes of corporation owners and managers towards morality and ethics have an effect on the corporation’s behaviour as well. Accordingly, a corporate strategy like CSR is always influenced by active normative decisions of different persons who have a stake in the firm (Bakan, 2004). The role specific stakes play, however, is highly contested, as is the scientific question of what CSR should comprise. According to Kornberger and Rhodes (2007: 1439), judging whether an individual

is a responsible person is drawn from “the study about right and wrong behaviour”. The meaning of *right* or *wrong* is traditionally derived from religious principles, philosophical frameworks or prevailing social norms (Jones & Haigh, 2007). That is why the meaning of social responsibility differs; its definition depends on the generally accepted attitudes towards morality at a given place and time (Moon, 2007; Porter & Kramer, 2006).

2.2 A Preliminary Definition of Corporate Social Responsibility

In line with its normative character, CSR can only remain a “concept”; i.e., its definition will always vary (Davis et al., 2006). “CSR activity is not one comprehensive activity but rather a collective name for many different activities” (Godfrey & Hatch, 2007: 88). Accordingly, a definition of CSR must be contestable and open for discussion. The three terms Corporate, Social, and Responsibility indicate to some degree that CSR is about the social character of large business organisations. Thus, modern business corporations are seen as part of society and as interwoven with the political system. They are “embedded in a broad set of political and economic institutions as well as in a broad societal and natural environment that affect their behaviour” (Campbell, 2005: 5). Corporate actions have consequences for society and societal groups and governments have expectations of business with regard to their social behaviour. Wood (1991: 695) states that the interdependence between business and society has lead to “certain expectations [of society] for appropriate business behaviour and outcomes.” After all, CSR encompasses a wide range of expectations, values, and principles that are introduced to management by society. These societal expectations, as well as corporate strategies are influenced by all kinds of different opinions. The social character of a corporation, for instance, is measured by several normative *values*, including *trust*, *integrity*, *honesty*, *fairness*, or *equity* (Thomas, 2005). These values reflect the ethical behaviour of business organisations towards society at large (cf. Kornberger & Rhodes, 2007: 1439). Accordingly, the term *corporate social responsibility* can generally be advocated “as a normative component of the social contract between business and society” (Baron, 2001: 8).

Porter and Kramer (2006) state that the interdependence between a company and society takes two forms: *inside-out* and *outside-in linkages* (cf. Figure 2). With reference to the two spheres of responsibility and inside-out linkages, Porter and Kramer (2006: 84) point out that “virtually every activity in a company’s value chain touches on the communities in which the firm operates, creating either positive or negative social consequences”. Accordingly, inside-

out linkages comprise all corporate activities that affect society. On the contrary, *outside-in linkages* are “external social conditions [which] influence corporations, for better or for worse” (Porter & Kramer, 2006: 84).

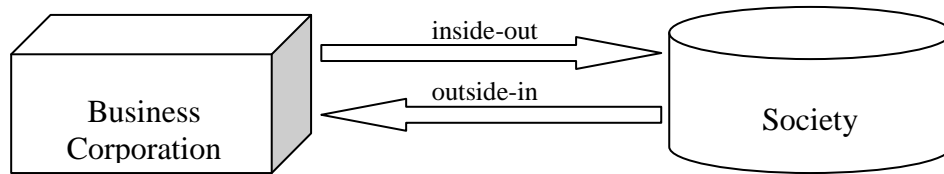


FIGURE 2: Business and society.

In a third dimension, we must include the state as an important actor that influences the interplay between business and society (Marrewijk, 2003). As already mentioned, historical capitalism is the result of a strong relation between nation states and business enterprises. Hence, the modern business corporation should not be viewed separately from the state. In fact, only an interdisciplinary approach to business and the state delivers comprehensive findings about how and why business corporations can be good for society or not. Thereby, “business forms an important triangular relationship with the State and the Civil Society” (Marrewijk, 2003: 100). Business in sum needs a strong state that balances it and society because capitalism polarises the societal structure (Soros, 1998). On the one side, regulatory policy shapes the structure and conduct of industries and initiates major shifts in economic value (Beardsley et al., 2005). On the other, large business corporations in particular influence political decision-making processes via lobbying and corruption (cf. Korten, 2001; Reich, 2007). That is, CSR is a result of the interplay between business, the state, and civil society (cf. Figure 3).

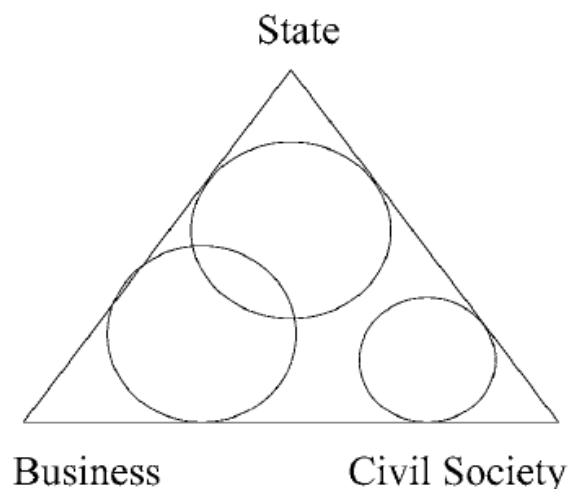


FIGURE 3: State, business, and civil society (Marrewijk, 2003: 100).

Next to the external dimension of CSR, namely civil society and the state, an internal dimension to CSR exists as well. In that context, society does not only include people outside the corporation but within it as well, i.e., the internal dimension comprises all persons working for the corporation. When employees demand better social security standards, for instance, internal pressure is placed on the corporation's social responsibility. Management's decision with regard to new environmental standards is another example for CSR's internal dimension. Furthermore, the internal dimension also involves other companies that work for or deliver to the corporation, e.g., suppliers or big purchasers (Mathis, 2007). External demands, however, can be made by any group that has or believes it has a stake in the corporation. As Carroll and Buckholtz (2000: 66) acknowledge: "[...] management must perceive its stakeholders as not only those groups that management thinks have some stake in the firm but also as those groups that themselves think they have a stake in the firm."

To conclude, this thesis keeps to the CSR definition by Habisch and Wegner (2004) who view CSR as a concept that investigates the economic, social, and ecological dimension of a corporation's activity. CSR addresses issues of moral norms and ideals and their implementation under the circumstances of modern capitalism. Corporations generally recognise the internal and external dimension of CSR; they have an influence on society and vice versa. Thus, Habisch and Wegner (2004: 12) have identified four different areas that corporations take into consideration in their CSR: its employees, shareholders, the environment, and society (cf. Figure 4).

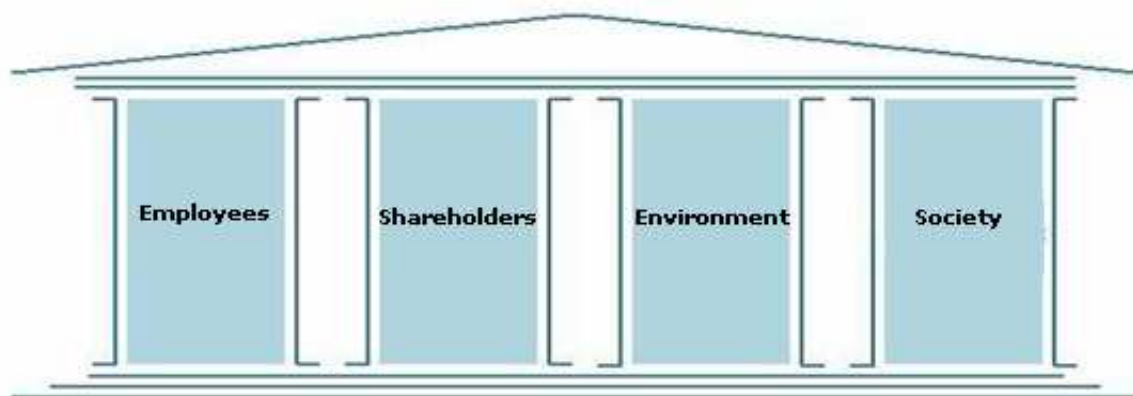


FIGURE 4: The four areas of CSR operation (Habisch & Wegner, 2004: 12).

Numerous concepts and definitions have been used in academic debates and business environments to describe the relationship between business and society, which concentrates on firms' *positive* and *negative* business impacts (Burchell & Cook, 2006; Marrewijk, 2003).

Although Corporate Social Responsibility is the term used most commonly (Amaeshi & Adi, 2006; Dahlsrud, 2006), several other terminologies related to CSR exist that may overlap to some degree. A superordinated term for all of these is *business ethics*. According to Kornberger and Rhodes (2007: 1439), business ethics deals with the right and wrong behaviour of business organisations and can be defined as “the reflection on the ethical behaviour of business organizations.”

2.2.1 Corporate Citizenship (CC)

The only well-known academic concept comparable to CSR⁸ is the concept of Corporate Citizenship (CC) (cf. Garriga & Melé, 2004; Wheeler et al., 2003). Maignan and Ferrell’s definition of CC (2000: 284), for example, is almost synonymous with Carroll’s definition of CSR (1991) as “the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders.” The concept of CC is relatively new in the discourse on business-society relations. Its usage and meaning has been promulgated more by practitioners than scholars (Garriga & Melé, 2004; Meehan et al., 2006). The term *citizenship* implies compliance with the law; CC can be defined as “membership in a bounded political (normally national) community” (Hettne, 2000: 35). In line with this notion, CC implies that the corporation is a “societal institution that has obtained the legal status of a person/citizen and debates the appropriate mix of rights and responsibilities that should (or should not) follow this status” (Jones & Haigh, 2007: 52).

According to Matten and Crane (2005), the dominant understanding of CC is anchored in the liberal tradition, where citizenship as a set of individual rights also applies to the corporation. Hence, “liberal citizenship comprises three different aspects of entitlement: civil, social, and political rights” (Faulks, 2000: 55-82). Whereas both civil and social rights focus on the position of the individual in society and help protect his/her status, political rights represent his/her right to active participation in society. According to Matten and Crane, globalisation has significantly reshaped the demands placed on corporations by wider stakeholder communities. That is why both authors contend “that this has led to a shift of the responsibility for protecting individual citizenship rights from governments to business corporations” (Jones & Haigh, 2007: 52). For Matten and Crane, this shift represents an extension of traditional CSR and they thus speak of a *New Corporate Citizenship*. In the

⁸ Except for the almost synonymous terms Corporate Responsibility and Corporate Social and Environmental Responsibility.

context of this thesis, I have chosen to use the term CSR, since *social responsibility* refers to all kinds of social responsibilities associated with corporations. The term citizenship, however, seems unsuitable when taking a broad approach because it underlines compliance with the law and, therefore, limits the range of corporate social activity to legal requirements. Moreover, CC is only outward-oriented; it does not include the internal dimension of CSR towards employees and suppliers (cf. Habisch & Wegner, 2004).

2.2.2 Corporate Social Responsibility (CSR)

The concept of CSR is applied within the context of this thesis because of its broader field of application and its prevalence in academic literature. Nevertheless, I refer to characteristics of globalisation that have been linked to the concept of CC, such as the crisis of the welfare state or the deregulation process that refer to a shift of power between corporations and nation states (cf. Garriga & Melé, 2004). According to the GTZ⁹ (2006), CSR is the only all-embracing concept in business ethics with considerable weight. Following Habisch and Wegner (2004), CSR can be defined as the generic term that includes both an external (CC) and an internal orientation with the goal of sustainable development¹⁰ and corporate accountability¹¹, which are measured by looking at CSP¹² (cf. Figure 5). Another description

⁹ GTZ is the abbreviation for Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation).

¹⁰ Sustainability, put simply, means “extracting a resource at a rate below the resource stock’s natural growth rate” (Sharachandra, 2007: 1102). Although this approach was developed at the macro level rather than at the corporate level, it also bears significant relevance for corporations (Garriga & Melé, 2004). According to the Report of the World Commission on Environment and Development, also known as the Brundtland Report of August 4, 1987, sustainable development has broadened to include environmental and social issues. The Brundtland Report defines sustainable development as a development that meets “the needs of the present without compromising the ability of future generations to meet their own needs” (UN, 1987: 1). According to the World Business Council for Sustainable Development (2000: 2), sustainable development “requires the integration of social, environmental, and economic considerations to make balanced judgments for the long term”. Sustainable development has, therefore, not been treated as equivalent to CSR; in fact, it represents a goal of CSR (cf. Marrewijk, 2003). Recognising CSR as a normative strategy that builds on normative goals, it can focus on sustainable development as its primary goal. Therefore, CSR must lead to a relationship between business and society, with business contributing to society in the long run. A corporation that fulfils sustainable development criteria, in turn, can be described as acting socially responsible.

¹¹ Swift (2001: 17) describes accountability as “the requirement or duty to provide an account or justification for one’s actions to whomever one is answerable.” Thereby, accountability “is about the provision of information between two parties where the one is accountable, explains or justifies to the one to whom the account is owed” (Swift, 1997, cited in Amaeshi and Adi, 2006: 9). Accordingly, CA is the answerability or the obligation to answer to different stakeholders. Thereby, the concept of accountability represents an intensification of the concept of responsibility. Whereas responsibility is more about voluntarism, a corporation’s answerability can even be enforced when non-compliance results in some sort of penalty (Utting, 2005). A government can oblige a corporation to follow social guidelines, for example. A corporation that follows these guidelines responsively can, in this context, be considered socially accountable. A corporation must meet two preconditions in order to be held accountable. First, it has to acknowledge, accept, and obey the rule of law to meet the minimum country specific or global standards. Secondly, corporate activities must be transparent to demonstrate accountability. As

of CSR also illustrates that a broad approach for a comprehensive CSR analysis is required: At the World Sustainable Development Summit 2002 in Johannesburg, the term CSR was expanded to include *corporate social and environmental responsibility and accountability* (BMZ, 2004).

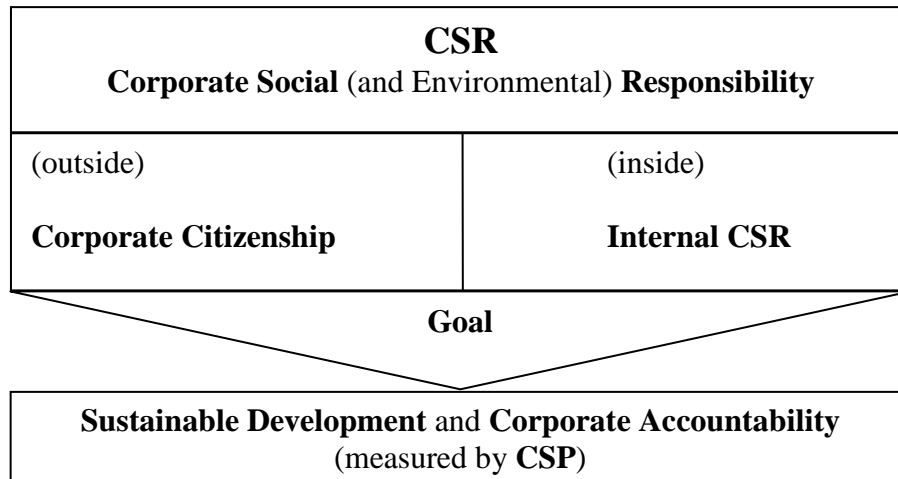


FIGURE 5: CSR and other concepts.

Another ambiguity with regard to the conception of CSR is the issue of voluntarism. Most definitions emphasise CSR's voluntary character (cf. Capaldi, 2005; Fig, 2005; Kinderman, 2008; Utting, 2005; Széll, 2006). According to Falck and Heblich (2007: 247), for example, "CSR is regarded as *voluntary* commitment". The European Commission's Green Paper (2001: 8), moreover, defines CSR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a *voluntary* basis." Garibaldo (2006: 216) even considers CSR to be "above and beyond legal requirements". Consequently, CSR only comprises voluntary activities and stands in contrast to obligations on corporations imposed by governments (cf. Galgoczi, 2006). This contrast-oriented view supports an uncritical perspective. In this sense, CSR is considered a benefit for society and is considered a supplement to government regulations. Corporations welcome a voluntary conception of CSR because it gives them some freedom to decide what actions to take.

From a critical perspective, however, voluntary commitment most likely entails that only some corporations will practice CSR and that it is only limited to those areas that are

is argued below, accountability is not a natural facet of CSR, yet an important one for the further development of CSR.

¹² CSP simply refers to the performance of CSR. *Performance* here implies actions and outcomes (Wood, 1991). CSP measures a "firm's achievements in terms of satisfying the demands of its stakeholders" (Liston-Heyes & Ceton, 2007: 102).

profitable for the company. Furthermore, “many companies [...] ‘do well’ in the absence of ‘doing good’. While voluntary measures served to encourage those who were enthusiastic ‘corporate citizens’, they achieved little in tackling those who did not live up to their social responsibilities” (Burchell & Cook, 2006: 128-129). Consequently, the German Council for Sustainable Development (2006: 42) concludes that:

“As long as the CSR discussion is primarily reduced to the controversial issue of voluntary will versus regulation, it will impede itself and any further progress. Voluntary will without rules will soon run aground – as will rules without voluntary will.”

According to Fox (2004: 29), voluntary and regulatory approaches are too often viewed as being mutually exclusive “rather than as options within a balanced approach to eradicating bad (socially irresponsible) behaviour while encouraging responsible activities”. That is why this study takes a CSR approach that is built on compliance with national laws and international agreements, which is not necessarily voluntary but obligatory owing to government regulations or competition pressure. Compliance with regulations, on the other hand, demonstrates a corporation’s social responsibility (Walters, 1977) or rather, if corporations do not comply with them, they behave socially irresponsibly (Bakan, 2004). Moreover, CSR is often a reaction to different pressures from civil society groups. Responding to these pressures is also not always voluntary since acknowledging them may imply higher costs than dismissing them in the short run. In the long term, responding to these pressures may have a positive effect on businesses by increasing their positive reputation, strengthening their competitiveness, reducing costs, etc.

In developing countries in particular, CSR initiatives are sometimes blurred with respect to voluntary and involuntary initiatives. “Voluntary initiatives may have mandatory aspects and national regulatory frameworks may incorporate the use of voluntary instruments” (Prieto-Carrón et al., 2006: 978). Hence, this study follows Carroll’s widely accepted definition of CSR. Carroll (1979: 498) states that CSR encompasses “a wide range of economic, legal, *and* voluntary activities.” More concretely, Carroll (1979) defines these activities as *economic*, *legal*, *ethical* or *discretionary* (cf. Figure 7). *Economic* responsibilities are subject to the fact that corporations have to follow the fundamental premise to produce goods and services that society wants and to sell these at a profit. All other business roles are predicated on this assumption (Carroll, 1979). The corporation’s *legal* responsibility is that it must act within the framework of legal requirements (Jamali & Mirshak, 2006). Legal requirements differ from country to country and corporations sometimes attempt to circumvent them, if the regulations

are only articulated vaguely. Both *economic* and *legal* responsibilities are not necessarily voluntary activities since businesses are compelled to adhere to them if they want to (1) remain competitive, and (2) retain the right to conduct business.

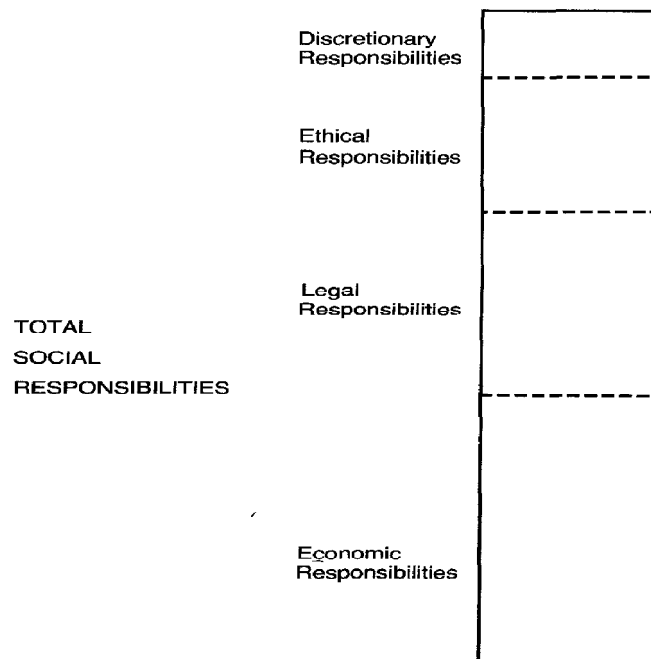


FIGURE 6: Social responsibility categories (Carroll, 1979: 499).

In terms of *ethical* responsibilities, Carroll refers to expectations society has of business over and above its legal requirements (Carroll, 1979). Edmondson and Carroll (1999: 176) describe a corporation's *ethical* responsibilities as "the unwritten codes, norms, and values implicitly derived from society", where a corporation has to weigh up "to do what is right, fair or just and to avoid harm". Carroll's fourth social responsibility category refers to *discretionary* responsibilities. Accordingly, *discretionary* responsibilities are "those about which society has no clear-cut message for business [...]. They are left to individual judgment and choice" (Carroll, 1979: 500). The best examples for discretionary responsibilities are voluntary donations. Edmondson and Carroll (1999: 176) argue that *discretionary* responsibilities "constitute the giving back" of corporations to society without any underlying purpose or strategy for the business. More recent studies have translated *discretionary* responsibilities into *philanthropy*¹³ (Wood, 1991). As illustrated in Figure 6, discretionary or philanthropic

¹³ According to Andreoni (2001: 11369), philanthropy can be defined as "benevolent behaviour, usually in the form of charitable gifts, towards others in society." Philanthropy probably symbolises the oldest form of giving from business to society. According to Porter and Kramer (2002), corporate executives increasingly see philanthropy as a no-win situation for their companies. Gradually, charitable contributions will assume a more strategic function with the purpose of providing some form of reward to the company. Therefore, it will remain a sub-category of CSR.

responsibilities “are the least weighted of all a firm's social responsibilities” (Wood, 1991: 698).

To reiterate, Chapter 2 delivers a definition of Corporate Social Responsibility as a normative term describing corporation's social and environmental responsibility with regard to the state and civil society (externally), as well as employees and shareholders (internally). The goal of CSR is sustainable development which requires corporations to have a long-term orientation. The nature of CSR is discretionary/ philanthropic, ethical, legal, or economic. How corporations actually behave with regard to CSR, how CSR has developed in modern capitalism, and how CSR can be measured today is the focus of the next chapter.

Chapter 3 The Contradiction between C and SR

3.1 Brief Historical Overview of the Development of Corporations

Kaysen (1996: 3-4) considers the business corporation to be a “characteristic institution” of the market economy, whereas Chandler et al. (1997: 3) argue that “how such firms emerged and evolved in various economic, political, and social settings constitutes a significant part of the modern development of international as well as national economies.” To understand modern corporation activity, namely corporate social responsibility, it is helpful to look at how the corporation evolved, how it is situated within the modern world-system, and how social responsibility can be placed within the corporation’s history to arrive at a definition of CSR that reflects history but is also valid for a contemporary analysis of CSR. The modern business corporation is not only a descendant of different historical forms of associations, such as guilds, which all have in common that they combine a group of people with a common business purpose; it is, moreover, a direct result of historical capitalism. In fact, “it is assumed that the causes of capitalism and companies are inseparable” (Micklethwait & Wooldridge, 2005: xvii). The modern business corporation, similar to the modern world-system, has its origin in the sixteenth century (Bakan, 2004: 8; Micklethwait & Wooldridge, 2005: 17; Wallerstein, 1974: 15). The modern business corporation evolved because it was a favourable type of organisation for the requirements of capitalist development. The corporation’s structure was never predetermined; it is characterised by a steady process of adaptation to the capitalist system with corporations themselves also shaping the capitalist system.

A well-known example of a modern organisation was the Dutch East Indian Company, chartered by several European countries with a monopoly to trade with Asia. The East Indian Company exemplifies that the development of strong states at the core “was one essential component of the development of modern capitalism” (Wallerstein, 1974: 133). Internally, the East Indian Company’s organisational structure was comparable to modern bureaucracies. Chandler (1990) contends that this form of organisation was a decisive step in the establishment of modern business corporations. In such enterprises, ownership was separated

from management - one group of people, i.e., directors and managers ran the firm, while another group, shareholders, owned it (Bakan, 2004).

“Beginning with Western Europe, entrepreneurs and officials started to work out contingent compacts in which government and risky enterprise depended on each other” (Tilly, 2001: 200). The East Indian Company was thus highly dependent on political will and on the willingness of the wealthy to invest. The advantages of big business prevailed, also because governments acknowledged them as trailblazers for national economic success within the modern world-system. The example of the East India Company illustrates the advantage of combining the power, knowledge, and capital of many into one body, a business organisation, to win big projects and to influence the political system for its own benefit. In other words, a corporation can be an instrument of the political system or of the wealthy to realise specific interests.

The nineteenth century was marked by the beginning of the withdrawal of the state (Micklethwait & Wooldridge, 2005), initiated by the United States. A ruling by the Supreme Court in 1819 laid the foundations of corporation’s various private rights. This manifested more independence from political temper that had previously dominated corporations’ charters. The era of *shareholder capitalism* had begun. With shareholders who own the corporation and a group of managers who run the business, “the law had to find someone else, some other person, to assume the legal rights and duties firms needed to operate in the economy. That ‘person’ turned out to be the corporation itself” (Bakan, 2004: 15). Now, owners of a corporation could no longer be made responsible for the company’s failures or illegal behaviour contrary to companies that were family-owned or belonged to a specific group of people and were not listed on the stock market. The privilege of *limited liability* found its way into corporate law without corporations being required to get involved in projects for the benefit of society (Bakan, 2004). “Throughout the nineteenth century, legislatures revoked charters when the corporation wasn’t deemed to be fulfilling its responsibilities” (Micklethwait & Wooldridge, 2005: 45).

3.1 The Modern Business Corporation

Although the institutional structure of corporate capitalism, including the stock market, investment banks, brokerage houses, and the financial press, had been operating for decades,

it was confined almost entirely to government bonds, transportation, and communication (Roy, 1997). At the end of the nineteenth century, the large, publicly traded manufacturing corporation became the dominant mode of business organisation. With the onset of the twentieth century, the modern business corporation prevailed as the dominant business institution in the modern world-system (Chandler, 1990; Korten, 2001; Roy, 1997). “The era of corporate capitalism had begun” (Bakan, 2004: 14).

Modern business corporations were successful because they were more efficient than competing business forms (Roy, 1997) through their advantages of combining the manpower of many individuals¹⁴ and through favourable legal conditions that allowed corporations a relatively free hand in its economic activities (Bennet & Paul, 1999). Even if modern business corporations represent the distinctive business institution of our time, they do not represent general business. A typical business is not organised as a corporation, but rather as an individual proprietorship or partnership (Kaysen, 1996). The main features of the corporation at the beginning of the twentieth century, however, are still common to modern business corporations today (Bakan, 2004). The modern business corporation can thus be defined in accordance with Micklethwait & Wooldridge’s definition (2005: xvi) as a “limited-liability joint-stock company” which is a distinct legal entity “endowed by government with certain collective rights and responsibilities”. Capital accumulation defines the principal goal of every modern business corporation, which is furthermore defined by three other characteristics:

First, the corporations examined in this thesis’ case study are listed on the stock market and, therefore, owned by shareholders. Publicly owned enterprises have the advantage of being able to carry out large infrastructure projects or to produce highly technologically advanced products and to spread the commercial risk for investors by buying shares in a number of enterprises. Joint-stock companies have paved the way for modern capitalism (Korten, 2001).

¹⁴ Chandler (1990: 21-24) argues that the advantage of many was superseded with the beginning of mass production. Whereas the first decades of Industrialisation had been characterised by labour-intensive industries, where increases in the output of a manufacturing establishment was primarily reached by adding more machines and more workers to operate them, newer industries expanded output by modifying the capital-labour ratios. Chandler (1990) links this change to modern business corporation’s acknowledgment that *economies of scale* and *scope* result in significant cost reductions. In *economies of scale* an increase in the products produced in one corporation leads to lower production costs, due to the fact that labour and machinery are better utilised. With *economies of scope*, Chandler refers to joint production. “Here the cost advantage came from making a number of products in the same production unit from much the same raw and semi-finished material and by the same production intermediate processes. The increase in the number of products made simultaneously in the same factory reduced the unit costs of each individual product” (ibid., 1990: 24).

The shareholder structure helps overcome the “agency problem”¹⁵ that emerged by imitating the large bureaucracies of the hierarchical structures of armies, governments, and churches. In joint-stock companies, however, management and owners are separated. Whereas the owners/shareholders own the company, managers are responsible for day-to-day business. Thereby, shareholders take a supervisory function. Shares can be sold and reinvested through mismanagement. This dynamic compels management to focus solely on profit maximisation (Rosenberg & Birdzell, 1986: 190) for the sake of the owners.

The second characteristic is the legal setting of modern business corporations. It is defined by two elements: *limited liability* and *corporate personhood* which both are results of historical capitalism. The Merriam Webster Online dictionary (2008) describes corporate personhood as a corporation’s body that is “formed and authorized by law to act as a single person” although it is “constituted by one or more persons and legally endowed with various rights and duties including the capacity of succession”. Both elements give corporations a free hand in determining which risks to pursue and which new markets to enter in search of profits. At the same time, the two elements signify the *liberation* of the corporations and incite enterprises to actively break the law in the name of profit, since courts and governments gave up trying to control them (Bennett & Paul, 1999).

The third characteristic is the corporation’s interrelation with the political system. Corporations were a political creation (Micklethwait & Wooldridge, 2005). Nation states define the framework within which corporations can be active (Werther & Chandler, 2006) and were important supporters of the rise of corporations. They licensed firms, created patent systems, built infrastructure, standardised legal tenders, and stabilised conditions for capitalist production (Tilly, 2001). In return, the corporation has also played a decisive role in the foundation and rise of nation states within the modern world-system. American hegemonic dominance was mainly backed by its globally leading business corporations, for example. Furthermore, companies paid taxes, helped war efforts, and submitted to governmental intervention on behalf of their workers (ibid.).

¹⁵ The Agency Problem outweighs the agency costs. According to Rosenberg and Birdzell (1986: 190), agency costs are the “waste of organization resources by hierarchies’ pursuit of their own goals at the expense of organization interests”.

3.2 The Corporation and Social Responsibility: A Contradiction

Owing to their characteristics, it is arguable that corporations cannot be socially responsible in general (cf. Reich, 2007). A corporation whose primary activity is to seek profit will always pursue its objectives by minimising the costs for responsible behaviour at a level where it does not harm the capital accumulation process. That is, CSR as a corporation strategy will not go beyond profit in general. Here, market fundamentalists, as well as regulationists both represent a similar view. The conservative author Milton Friedman (1962: 133) states that “few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.” Friedman’s argument is that business should not take part in socially responsible activities, since that is a “waste of shareholder’s money” (Széll, 2006: 21). This view – despite its simplification – addresses the central problem between the nature of corporations and the normative concept of social responsibility, and is in line with CSR critics who have a regulationist perspective. Instead of claiming that corporations *should* engage in CSR, they stress that a corporation “*cannot* be socially responsible, at least not to any significant extent” (Reich, 2007: 170). In their view, a modern business corporation’s very nature stands in opposition to the normative term of social responsibility, which should not be ruled in self-interest (cf. Bakan, 2004; Korten, 2001). Accordingly, it is arguable that a corporation’s *immoral* behaviour is actually reinforced by its legal setting. The “joint-stock” characteristic means that the corporation separates ownership from management. The management is legally obliged to serve in the shareholders interest, meaning the maximisation of the value of shares. Following this logic, investors are always searching for corporations that offer prospects for economic growth, i.e., an increase in the value of its shares.

If managers do not comply with the owners’ demands to maximise profits, they actually commit an offence against the law, considering that a corporation’s *self-interest* is a product of the law. This reflects the Michigan Supreme Court’s decision in *Ford vs. Dodge Motor* in 1919:

“A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end, and does not extend to a change in the end itself, to the reduction of profits, or to the non-distribution of profits among stockholders in order to devote them to other purposes” (cited in Davis et al. 2006: 6).

This decision reinforced criticism of the *agency problem* which economists see as one major problem of modern business corporations. Smith (1776) was already troubled by the fact that shareholders did not run their own businesses but instead delegated that task to professional managers. The latter could not be trusted to apply the same “anxious vigilance” to manage “other people’s money” as they would their own, he wrote, and “negligence and profusion therefore must prevail, more or less, in the management of such a company” (Smith, 1776, cited in Bakan, 2004: 36-37). This principle also signifies that CSR is illegal, especially when its purpose is to improve something aside from its own profit. And this is not an American peculiarity.

“The corporate design contained in hundreds of corporate laws throughout the world is nearly identical [...] the people who run corporations have a legal duty to shareholders, and that duty is to make money. Failing this duty can leave directors and officers open to being sued by shareholders. [The law] dedicates the corporation to the pursuit of its own self-interest (and equates corporate self-interest with shareholder self-interest). No mention is made of responsibility to the public interest....Corporate law thus casts ethical and social concerns as irrelevant, or as stumbling blocks to the corporation’s fundamental mandate” (Hinkley, 2002).

According to what is known as “the best interests of the corporation principle” (Bakan, 2004: 36), the concept of limited-liability is a second legal component that can reinforce immoral corporation behaviour. Limited-liability reduces the risks for owners and managers in cases of illegal behaviour. In the case of bankruptcy of a joint-stock corporation, for example, a shareholder is not liable for compensating existing receivables with private capital. In other words, limited-liability “allows one or more individuals to leverage massive economic and political resources behind narrowly focused private agendas while protecting themselves from legal liability for the public consequences” (Korten, 2001: 59).

As already stated, the relationship between the concept of responsibility and the logic of corporations is contradictory. The claim to social responsibility is mostly not in accord with the actual aim of the corporation. Corporations are characterised by a conflicting aspect resulting “from the different interests of the primary stakeholders over how the income stream is distributed among stakeholder groups” (Jones & Haigh, 2007: 60). In 1939, Dave Packard (cited in Handy, 2002: 52), co-founder of Hewlett Packard Company, underscored that a corporation may have a bigger purpose than simply to make a profit:

“I think many people assume, wrongly, that a company exists simply to make money. While this is an important result of a company’s existence, we have to go deeper and find the real reasons for our being. As we investigate this, we inevitably come to the conclusion that a group of [people] get together

and exist as an institution that we call a company so that they are able to accomplish something collectively that they could not accomplish separately – they make a contribution to society, a phrase which sounds trite but is fundamental.”

This “contribution to society” can be positive or negative. In order to diminish *negative contributions* or to promote the positive ones, corporations also implement CSR strategies. Moreover, they increasingly pursue the strengthening and expansion of their CSR commitments. Why they do so will be explained by analysing specific developments of modern capitalism that deliver the breeding ground for the recent CSR movement.

Chapter 4 The Evolution of CSR

4.1 A First Wave of Corporate Social Responsibility

With the evolution of the modern corporation, expectations by society and the political system in the success of the corporation emerged as well. Several prominent examples illustrate that corporations have been exposed to pressure from their environment right from the start. The first large-scale consumer boycott, for example, took place in England against slave-harvested sugar in the 1790s (Werther & Chandler, 2006: 11). A group of people around Elizabeth Heyrick urged the British East Indian Company to stop buying “blood-stained sugar from the West Indies” (Micklethwait & Wooldridge, 2005: 27). The company was eventually forced to get its sugar from sugar producers in Bengal who did not use slaves (*ibid.*). The emergence of labour unions reflected the demand by workers to improve working conditions and the introduction of security standards, fixed working hours, and wages. Labour unions were established in virtually every developed country. Corporations have acknowledged unions as partners for collective bargaining, while unions concede the corporation’s management the right to organise production and define their corporate strategy (Jessop & Sum, 2006: 61).

Corporate Social Responsibility was not always a corporation’s direct response to societal demands. Owners and managers of corporations have engaged in social investments since the onset of the industrial revolution (Davis et al., 2006: 4; Googins et al., 2007), and corporations have increasingly and actively participated with society. In cases of a lack of governmental provisions, in particular a lack of infrastructure, some corporations began providing housing, education, and literacy for their workers (Davis et al., 2006). According to Micklethwait and Wooldridge (2005: 75), corporate owners saw “well-housed and well-educated workers [to] be more efficient than their slum-dwelling feckless contemporaries”. Googins et al. (2007: 29) conclude that – at least in the case of the United States – CSR was “chiefly a function of regulation in the areas of occupational health and safety, workplace practices, civil rights, environmental protection, and, as regards banking, community reinvestment legislation.”

Yet, even if some argue that the beginning of industrialisation was characterised by a high level of social commitment (*cf. ibid.*, 2007: 29), the creation of massive wealth in the hands of

a few large corporation owners and managers, the growth of corporations' size and power was often the result of worker exploitation and child labour while the widening inequality gap in capitalist societies in the wake of the early twentieth century's merger movement in America led to a legitimacy crisis of the corporation (Marchand, 1998).

“Corporations were now widely viewed as soulless leviathans – uncaring, impersonal, and amoral. Suddenly, they were vulnerable to popular discontent and organized dissent (especially from a growing labor movement), as calls for more government regulation and even their dismantling were increasingly common” (Bakan, 2004: 17).

Business leaders' answer to this criticism can be found in a wave of local philanthropy projects, as well as in advertising and public relations campaigns. Corporations aimed to present themselves as good corporate citizens to attain higher acceptance by society and the political system. “The ‘corporate soul,’ a term used in public relations literature, was the organizational spirit intended to convey a commitment to employee well-being and the social good” (Margolin, 1999). Another measure corporations took to contain public criticism was to increase philanthropic activities at the beginning of the twentieth century (e.g., the provision of funds for the establishment of universities or public libraries). Philanthropic activities have always been a component of corporations' social commitment, but depend on the corporations' major owners or the CEO's personal interest.

In summary, corporations have tried to be or have, from the beginning, portrayed themselves as being socially responsible. Their increasing power and the corruption associated with the emerging large modern business corporations (cf. Fones-Wolf, 1999) have forced corporations to take a more active role in social issues. Corporations thereby responded to criticism of slavery, speculation, corruption, labour exploitation, and monopolistic or oligopolistic power which had negative effects on the reputation of the companies. Corporations' responses to internal and external pressures are diverse – they range from philanthropic activities to social strategies. The trend to improve the corporation's image by promising good corporate citizenship and improving working conditions and wages at the beginning of the twentieth century has been described as a part of *Welfare Capitalism* (Davis et al., 2006: 6) or *New Capitalism* (Bakan, 2004: 18).

On the one hand, corporate leaders recognised that services such as medical care, recreation, pensions, and housing were more than simply mechanisms to undercut unionism and promote worker productivity (Fones-Wolf, 1999). By publicly demonstrating compassion for

employees and presenting the human face of capitalism, *Welfare Capitalism* served as a "safeguard against perceptions of soullessness" (Marchand, 1998: 15). Corporation owners and managers realised that *doing good* might sustain and strengthen the corporation's standing in society and politics, and thus strengthen its long-term profitability. A societal by-product was the establishment of social services that had not yet existed. On the other hand, it was mainly the state that defined the comprehensive rules to diminish *immoral* corporate behaviour as the *legitimised* institution of redistribution. "For fifty years following its creation, through World War II, the postwar era, and the 1960s and 1970s, the growing power of corporations was offset, at least in part, by continued expansion of government regulation, trade unions, and social programs" (Bakan, 2004: 20).

To summarise, early CSR was the result of interplay between corporations and society, dominated by the political system. The first wave of CSR was characterised by a fundamental discussion about the distribution of responsibilities. Corporations in the nineteenth century already emphasised the business case of CSR, with some business owners arguing that a better living for their workers would improve efficiency. Nevertheless, the implications of CSR were not always clear. A lot of corporations' social responsibilities at the end of the nineteenth and beginning of the twentieth century were of philanthropic nature. Furthermore, corporations filled some of the existing infrastructural gaps, such as the provision of housing, canals or roads.

Although some social corporate measures were implemented, corporations in general did not turn out to be social players within the modern world-system. On the one hand, corporations have been considered a driving force of economic growth and internalisation, and as underscoring the power of Western countries. On the other hand, they have been linked to many negative externalities like labour coercion, resource exploitation or pollution.

4.2 Late Capitalism

Business corporations have engaged in social and environmental activities since their foundation, but CSR was merely philanthropic, relatively unstructured and dependent on personal will. With the increasing internationalisation of the corporation and the crisis of the welfare state, the range of and idea behind CSR has changed since the end of the Second World War (cf. Carroll, 1999; Jones & Haigh, 2007). Today, CSR is presented as a

comprehensive business strategy (cf. Silberhorn & Warren, 2007) and receives considerable attention by corporate leaders.

Since the 1970s until the end of the 1990s, corporate managers in general were not yet convinced of the need of CSR (only 20% considered ethical responsibility to be important and to be on the increase) (Carroll, 2000). But with the onset of the new millennium, managers' attitude towards CSR has changed. Strategic CSR has become an increasingly prominent feature of management (Sadler & Lloyd, 2009: 613) – “CSR now features on most board room agendas, and has in some countries become a management sub-discipline in its own right”. According to a McKinsey survey (2005), the global business community has embraced the idea that CSR plays a wider role in society (see Figure 9). The McKinsey quarterly survey addressed 4,238 executives of which over a quarter were CEOs or other C-level executives in 116 countries.

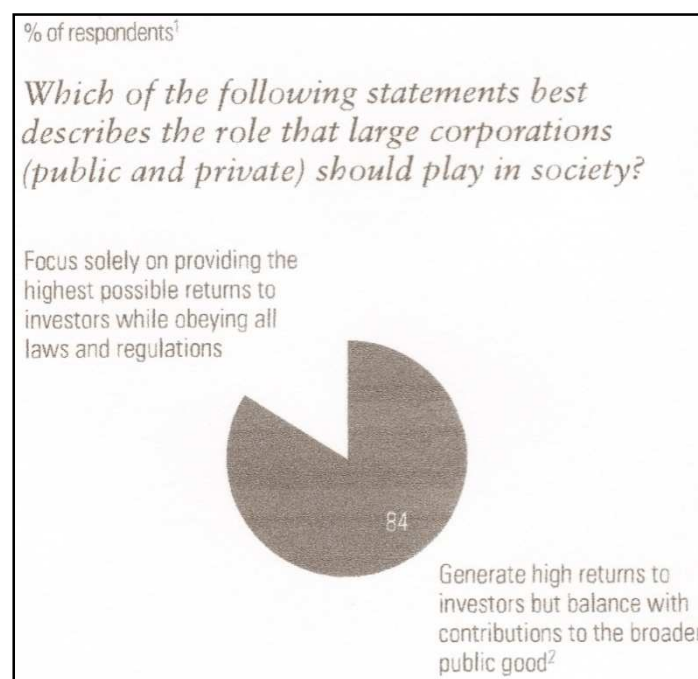


FIGURE 7: The role of business in society (source: McKinsey Quarterly, December 2005)

¹ All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions.

The survey highlights that more than four fifths of the respondents agree that generating high returns should be accompanied by broad contributions to the public good, for example, the provision of good jobs, philanthropic donations, and going beyond legal requirements to minimise pollution and other negative external effects of business. Only 16 percent agree with market fundamentalists that high returns ought to be a corporation's sole focus.

The modified perception of CSR is attributed to developments in the modern world-system (Cutler, 2007), which have been described as a transition towards *Late Capitalism* (Mandel, 1975). “Late capitalism is one of a number of terms that have been deployed to describe the distinctive characteristics of a later, neo-liberal or global form of capitalism” (Smart, 2007: 717). Other terms referring to late capitalism are *Supercapitalism* (Reich, 2007), *Postmodernism* (Jameson, 1991), *Informational Capitalism* (Castells, 1996) or *Globalisation* (Scholte, 2000). All concepts describe ongoing worldwide economic, social and political developments, especially since the 1970s, when the computer and information industry began to boom in Silicon Valley (Castells, 1996).

Globalisation, as the most prominent concept, refers in economic terms to an increase in the trade of goods and capital (Kell & Ruggie, 1999) and to improvements in production and distribution processes (Jameson, 2001). At the social level, because of rapid technological advances in communication and computer technology, world society has become increasingly interconnected. Castells (1996) contends that the “network society” is one of the main characteristics of informational capitalism. Accordingly, globalisation has changed the relations between citizens and the state, between society and corporations, as well as between corporations and nation states (cf. Frederick, 2001) being described as “interdependence at intercontinental distances” (Nye, 2003: 1). Therefore, the situation today is more complex, more interdependent, and also more blurred than in the past (cf. Figure 8).

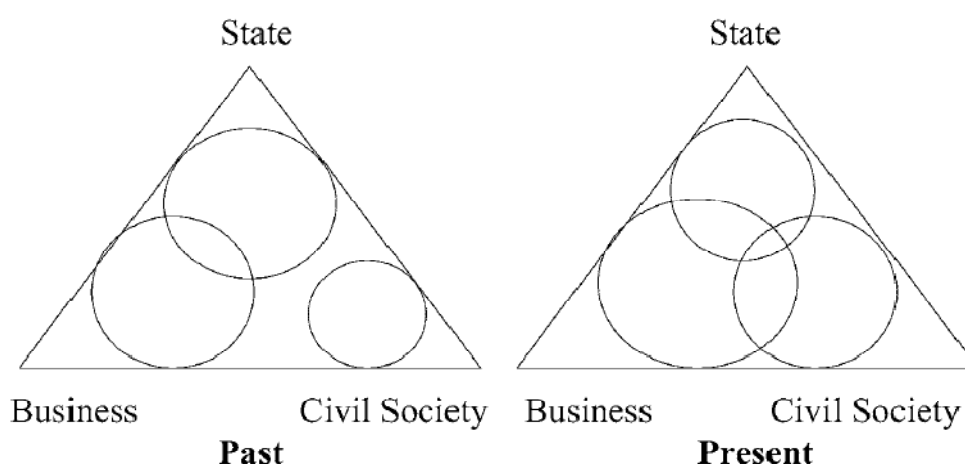


FIGURE 8: State, business and civil society II (Marrewijk, 2003: 100).

This complexity rests on increasingly overlapping areas between the traditionally more autonomous fields of state, business, and civil society. Furthermore, the evaluation of power

within this triad of state, business, and civil society has changed. In all three areas, these modified conditions of late capitalism have reinforced a conception of CSR that is promoted as a single solution to the problems of modern capitalism (Campbell, 2005; Prieto-Carrón et al., 2006). Cutler (2007: 208) sees the “CSR movement [as] an increasingly significant dimension of neo-liberal market discipline and the culture of late capitalism and postmodernity”. The Major characteristics that have changed in these areas, as well as its significance for CSR are discussed in the following sections.

4.2.1 The Transnational Corporation (TNC)

The generic business corporation has, with globalisation, become increasingly outward-oriented. Kaysen (1996) considers the increasing globalisation or *transnationalisation* of business to be the most significant change in the corporate environment. A modern business corporation today operates in multiple host countries and is, therefore, better described as a transnational corporation. Moreover, with the release of capital, speculation since the end of the gold standard and the shift towards flexible exchange rates, corporate capitalism has developed from managerial to shareholder orientation (Sennett, 2007).

Shareholders of a TNC are not located only in one country; they are spread out across the globe. In some cases, investors have joined together in big investment groups to invest in projects they expect to gain the highest returns from. These by far more powerful investors than in the past focus more on short-term profits than on long-term success because they no longer see the scale for success in the dividend, but in selling and buying shares (cf. Sennett, 2007: 36). Accordingly, speculating with shares in an open, technologised market that combines a substantial amount of buyers and sellers can generate faster and bigger returns than holding shares for a longer period and gaining from the distribution of dividends. Consequently, the pressure on corporations to attain high profit rates within a short time has risen in late capitalism.

Accordingly, “the corporation as a whole must, for competitive reasons, resist doing anything that hurts – and will place a very low priority on anything that doesn’t help – the bottom line” (Reich, 2007: 169). Roberto C. Goizueta, the former CEO of the Coca-Cola Company (1980-1997), describes this shareholder value logic with particular clarity: “Businesses are created to meet economic needs”. When they “try to become all things to all people, they fail [...]”. We

have one job: to generate a fair return for our owners [...]. We must remain focused on our core duty: creating value over time” (cited in Reich, 2007: 75). Accordingly, the recent economy can be characterised by a process where corporations are under pressure to *maximise profit maximisation*. It seems that this gives corporations even less possibilities to engage in social and environmental projects, since these can be expensive, long-term oriented and unclear with respect to financial gains.

“Even where there is a growing belief that social and environmental issues do, should or could count, the fact is that most analysts and fund managers do not take such factors adequately into account. This fact is rooted in short-term horizons dominating today’s financial markets, and associated approaches to valuation and profit-taking, and reflects a continued resistance to mainstreaming responsible investment” (World Economic Forum, 2005: 16).

In a time of fast-paced and increasing interdependence and international competition, stability, i.e., sustainability symbolises a weakness, namely that the company is not able to react innovatively to changes and find new markets to enlarge its business scope (cf. Sennett, 2007). A corporation’s production is no longer of utmost priority. The TNC has a more flexible, delegating management circle, which has the capacity to engineer flexible production systems and accelerate process and product innovation. For that reason, TNCs increasingly make use of outside consultants, specialists, temporary workers, suppliers, subcontractors, and joint ventures (Jessop & Sum, 2006). According to Sennett (2007), temporary work, for example, is the fastest growing aspect of the labour market in Europe and the United States. In general, temporary workers are cheaper, they are easy to replace and the amount of temporary personnel required can be easily adjusted to world economic condition. This suits the TNC well, which favours a high degree of flexibility to compete with the fast pace of globalisation and maximise its profits by lowering wages and production costs.

With the emergence of subcontractors, corporations’ management structures, as well as the division of labour have transformed as well. The corporate structure has shifted from the “primacy of the hierarchical, well-staffed, bureaucratic” form towards “flatter, leaner, more flexible forms of organization” (Jessop & Sum, 2006: 79). TNCs are increasingly only in charge of operational procedures, while production and service processes are outsourced (Castells, 1996). Thereby, corporations rely less and less on unskilled or semi-skilled workers, and continually seek high-skilled labour to supervise production, marketing, and sales processes. At the same time, the influence of labour movements has declined (ibid.). This has

led to greater polarisation between polyvalent skilled workers and the unskilled (cf. Jessop & Sum, 2006: 79).

Moreover, the production processes entailing unskilled labour have often been relocated or outsourced to countries with lower social security standards and unorganised, poorly paid labour. According to Jones and Haigh (2007), the use of outsourcing and the shift of production locations represent the decisive differentiation of TNCs as compared to the generic business corporation:

“The TNC differs from the generic business corporation in one critical aspect. A TNC has the opportunity to enhance its structural bargaining power versus workers and states, and thus reduce claims by these stakeholders on its income streams. Such privileged bargaining power is achieved most simply by placing multiple groups of workers located in different nations in competition with each other for the jobs that the TNC provides and, similarly, putting states in competition with each other for the jobs, capital, technology, tax revenues, etc. that are associated with TNC investment” (ibid., 2007: 60).

The increased bargaining power of TNCs is a key feature of the shift in power between business and the nation state. After all, the developments within the TNC already addressed do not adequately explain why corporations are increasingly interested in CSR. Business, moreover, could be expected to view CSR as costly and risky in terms of unknown implications for core segments of operations in the short term. Corporate decision-making, on the one hand, and decision-making that represents pluralist social interests, on the other, may not be complementary. Due to rising pressures on positive financial performance, TNCs certainly have motives to pursue CSR strategies superficially and use them to help increase profit. TNCs have therefore been criticised of *greenwashing* (cf. Frankental, 2001; Kallio, 2007), i.e., that they construct a green and socially responsible image but do not actually exercise it. Nevertheless, there is some indication that CSR is becoming more responsible and accountable. Developments in the interstate system and civil societies, in particular, reveal why a more sustainable CSR is on the advance.

4.2.2 The Weakness of the State vs. The Power of the Corporation

Historical capitalism has demonstrated that corporations and nation states have traditionally been successful partners in a strong relationship promoting a common goal (Wallerstein, 2004). As previously stated, the state’s degree of power is important, especially for business

organisations, because it determines the ability of government to act in ways favourable to capitalists (Shannon, 1989). Figure 9, for example, suggests that the state's degree of power translates into higher income growth. If a country improves its governmental institutions, dealing with issues such as the rule of law and the protection of property rights leads to a significant increase in the average annual growth in income per capita. Peripheral countries with weak governance structures, like Sub-Saharan Africa, have a low GDP per capita, whereas advanced economies combine a strong state (high taxes, rule of law, democratically elected, free speech, etc.) with a high GDP per capita.

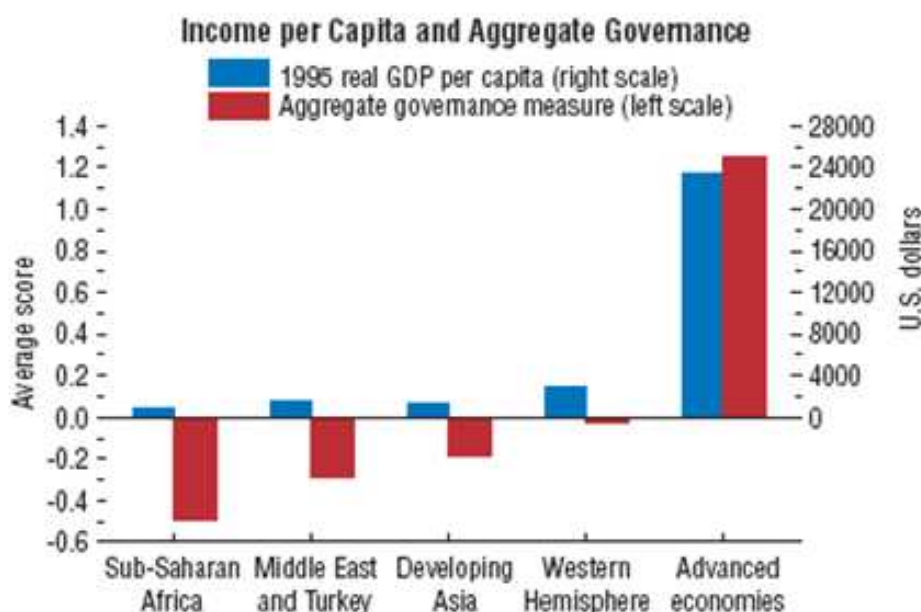


FIGURE 9: Income per capita and aggregate governance (WEO, 2003).

With the economic crises of the 1970s and 80s, the ideology behind the strong welfare state – namely, to compensate for inequalities caused by capitalism in order to sustain social confidence – was replaced by a *New Right*¹⁶ ideology that first emerged in Great Britain and the United States in the late 1970s, and later spread to many Western European nations and Japan in the 1990s (cf. Mittelman, 1996). A typical policy mix of the New Right governments incorporated regressive measures to lower wages and production costs by specifically liberating large corporations, lowering taxes on corporate profits, capital gains and high incomes, and deregulating and privatising formerly state-owned or controlled enterprises and infrastructure. At the same time, governments raised the fees for basic services and increased taxes on property and consumption (Jones & Haigh, 2007). In agreement with globally trading TNCs, these governments promoted the internationalisation of national economies

¹⁶ The *new right* corresponds to *neo-liberalism*, *market fundamentalism*, or *laissez-faire* capitalism.

through a lowering of barriers to foreign trade and investment and a “shift away from Keynesian macro-economic management to a focus on controlling inflation through monetary policy, leaving articulation of supply and demand to market forces” (Jones & Haigh, 2007: 58).

The liberalisation of the economy in sum has led to a decrease in the influence of states. Accordingly, business corporations have gained worldwide power and wealth, while states have lost authority (cf. Cutler, 2003; Korten, 2001; Reich, 2007; Strange, 1996). 51 percent of the world’s hundred wealthiest organisations today are corporations (“Poverty Facts”, 2009). Whereas both business and civil society have become more globally oriented, the nation state is still widely rooted in its national borders. Wallerstein (1997: 2) asserts “economic factors operate within an arena larger than that any political entity can totally control.” Strange (1996: ix) also argues that “the territorial boundaries of states no longer coincide with the extent or the limits of political authority over economy and society.” It is, therefore, arguable that the state has lost significance and influence opposite business and civil society. Power is shifting “away from governments responsible for the public good and toward a handful of corporations and financial gain” (Korten, 2001: 22).

But the rising strength of TNCs is not the only reason for the declining strength of the state. Nation states, furthermore, are experiencing a decline in legitimacy by their populations, “the result of having lost faith in the prospects of gradual amelioration” (Wallerstein, 2001: 74). Implications and reasons for this loss of confidence are discussed in more detail in the next chapter. Polanyi claims that the shift of the state away from business and society is reflected in the development of *disembedding* (Block, 2001; Utting, 2005). The result of *disembedding* is illustrated in Figure 10. Here, the power of the state has decreased, and the state has detached from business and society.

Nation states are fairly incapable of regulating global problems and have lost influence following privatisations and deregulations, thus propelling the political system into a structural crisis of legitimacy (Castells, 1996; Sennett, 2007). “The state no longer primarily initiates action in, but rather reacts to, worldwide economic forces. To realize material gain from globalization, the state increasingly facilitates this process, acting as its agent” (Mittelman, 1996: 7). According to Rittberger (2008), this crisis has led to several *governance gaps* which are especially inherent in global governance, in semi-peripheral, and in peripheral countries.

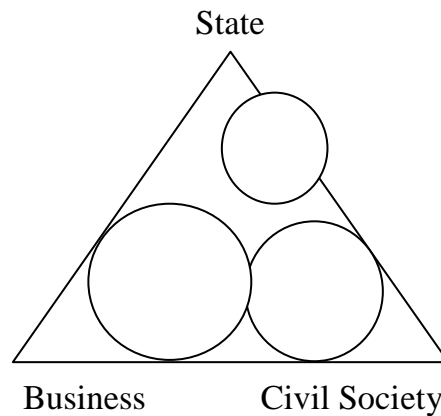


FIGURE 10: State, business, and civil society III.

The increased appearance of CSR in late capitalism can be viewed as a reaction to governance¹⁷ deficiencies (cf. Cutler, 2007; Jones & Haigh, 2007; Utting, 2005). CSR has become one of the tools Joseph S. Nye (1990) refers to as *soft power*. Whereas *hard power* is the use of coercion and payments, *soft power* is the “ability to obtain preferred outcomes through attraction” (Nye, 2009: 160). With the use of soft power, CSR often responds to governance’s gaps by filling them with corporate programmes and provisions on their own or jointly with the state or civil society organisations in so-called *Public-Private Partnerships* (PPPs). PPPs often emerge without any form of binding regulation and instead are built on voluntary commitment. This becomes especially prevalent in peripheral and semi-peripheral countries, where basic civil services are missing, quality standards are low, and/or environmental protection is insignificant (Hönke et al., 2008).

The majority of governments in core countries have welcomed corporate social and environmental participation. Especially “over the last decade, governments have joined other stakeholders in assuming a relevant role as drivers of CSR [...] and recognizing that public policies are key in encouraging a greater sense of CSR” (Albareda et al., 2008: 347). A study by Albareda et al. (2008: 347) arrives at the result that “governments are incorporating a common statement and discourse on CSR, working in partnership with the private and social sectors.” That is, CSR has two possible outcomes. On the one hand, *privatised governance* can help improve social and environmental conditions by strengthening accountability and sustainability. On the other hand, corporations can prolong low standards or even worsen them (cf. Cutler, 2007). Some corporations may exploit the weaknesses of states and market

¹⁷ Governance is understood in line with Nye (2003: 1) as “the pattern of ways in which we manage our common affairs”.

themselves as socially responsible, while keeping their voluntary CSR programmes lower than regulation by government would be or by lobbying to prevent the development of high social and environmental standards.

With late capitalism, the demands of corporations seeking to influence the policy process have grown, as competition among them has intensified (Reich, 2007). According to Liston-Heyes and Ceton (2007: 97), there is “a compelling body of evidence indicating that major firms [...] regularly use CSR as a tool to modify or influence the regulatory framework in their favour.” It is thus arguable that corporations are not particularly interested in improving working, environmental, or social conditions significantly since their low level was the reason for investments in the given country to begin with.

The next two sections illustrate how civil society has developed, revealing that the shift inside the triangle of state, business, and civil society has not helped resolve the world’s prevalent problems. In fact, it has reinforced them. Nevertheless, it is imperative to explain the most prevalent social and environmental challenges caused by the transnationalisation of business activities in a global economic context, since there is a strong link between them and recent CSR strategies (cf. Albareda et al. 2008).

4.2.2 Social Problems

When state policies move towards *disembedding* by placing greater reliance on market self-regulation, ordinary people are left to bear the higher costs (cf. Block, 2001). Workers and their families become more vulnerable to unemployment, job security decreases, jobs become less satisfying and more poorly paid, farmers and producers are exposed to greater competition from imports, and all groups are confronted with reduced entitlements to governmental assistance (ibid.).

Furthermore, “in a world of global flows of wealth, power, and images, the search for identity, collective or individual, ascribed or constructed, becomes the fundamental source of social meaning” (Castells, 1996: 3). In a globalised world, that requires the individual to be flexible and work efficiently and in which the world economy relies on a decreasing higher educated workforce, most people cannot identify themselves with *what they do* anymore

(ibid.). They feel more insecure and useless (cf. Sennett, 2007) and share values that are increasingly connected with consumption (Goodman, 2004).

Moreover, there is evidence that virtually every country in the world is undergoing social and environmental disintegration and corporations have played a crucial part in this development (Korten, 2001). Whereas the modern world economy in general has grown during the last decades (cf. The World Bank Group, 2005), the trickle-down effect has not been significant. Poverty is still one of the world's most serious social problems (Collins, 2008). Over three billion people – almost half the world's population – live in absolute poverty with income less than \$ 2.50 a day ("Poverty Facts", 2009). Furthermore, there is no evidence of any decisive improvements in poverty reduction nor has there been any improvement in the underlying reasons for poverty including starvations, diseases, crime, violence, or low education levels (cf. Mazur, 2007). Despite the fact that some peripheral and semi-peripheral countries (e.g. China, India) can gain from a shift of unskilled workers and production processes from the core to the periphery, the neo-liberal movement has increased economic inequality worldwide, characterised by a shrinking middle-class with the wealthiest becoming even wealthier and the poorest becoming even poorer.

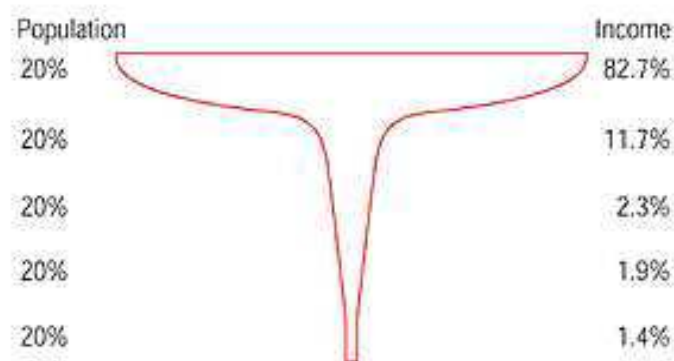


FIGURE 11: Global distribution of income and population (IPCC, 2001)

According to Sennett (2007: 46), inequality has become the *achilles heel* of late capitalism (cf. Figure 11). Late capitalism is marked by an extreme wealth of the upper strata and the ruling class (especially in many peripheral countries), decreasing wages in the core countries, generally low wages in peripheral and semi-peripheral countries for the average worker, the decline of the middle-class in core countries, and the large amount of poor people in the periphery (cf. Leyendecker, 2007: 31). The recent increase of CSR is often described as an answer to "increasingly well-organised anti-corporate campaigns" (Sadler & Lloyd, 2009:

613) which are illustrated in “the protest movements in Seattle, [...] the publishing of Naomi Klein’s (2000) book, *No Logo*, and [...] corporate scandals related, for example, to environmental catastrophes and the use of child labour” (Sahlin-Andersson, 2006: 596).

In recent years, civil society groups and individuals have become increasingly interested and engaged in issues of corporate social performance (Collier & Wanderley, 2005). The increase of NGOs reflects a form of compensation of what nation states are no longer capable of achieving, while NGOs try to represent specific interests in a more complex global arena. NGOs have uncovered corporate misbehaviour, have called for more and sustainable CSR, and replaced governance gaps. They are a decisive component in CSR development, especially in peripheral and also semi-peripheral countries. According to Winston (2002), NGOs use two different approaches to deal with CSR. One approach is to initiate a dialogue with corporations “in order to persuade them by means of ethical and prudential arguments to adopt voluntary codes of conduct” (Winston, 2002: 71). The other approach employs moral stigmatisation or “naming and shaming” (ibid.).

A weakening of the state goes hand in hand with a decrease in citizen influence that, in turn, implies that the modern world-system is witnessing a shift of power from citizens and states to consumers and shareholders (Reich, 2007). Whereas citizens and nation states have lost influence to globally operating corporations, consumers and shareholders have gained in significance. Consumerism has become a decisive component of late capitalism and is key to understanding the growing importance of CSR (cf. Papasolomou-Doukakis et al., 2005).

Slocum (2004) points out two developments in the shift from citizens to consumers. In a negative sense, the shift is characterised by a reduction of the public to the passive consumer. Passive consumers do not develop a moral responsibility and do not care to get involved for improved social and environmental conditions. In a more optimistic view, Slocum highlights consumer activism and involvement. This form of *green consumerism* actually builds on the notion of individual responsibility and consumer power. The result is an increase of emancipated consumers. By answering to green consumerism, corporations have sought to present a more accountable image of themselves, “often through the development of CSR programmes, detailed environmental and social reporting, etc.” (Burchell & Cook, 2006: 131). Thereby, the interest of corporations is not to please critical activists, but rather to foster a good reputation and consumer satisfaction. But companies nevertheless face an increasing

pressure on transparency. The consequence of such a development is more accountable and transparent corporations.

Goodman (2004: 233) acknowledges a “New Age Consumer” who is responsible for the growth of the CSR movement. Accordingly, the *New Age Consumer* wants to express nonconformity and defiance, as well as concerns about the environment and even spirituality (ibid.).

“New Age consumers demonstrate through their consumption that they are earth-friendly, socially responsible, enlightened global citizens in tune with nature. They prefer natural wood, natural fibers, natural ingredients, organic food, and herbal body care products. All of these are sold as remedies for the problems of consumer culture” (ibid., 2004: 234).

Even if the *ethical consumer* only represents one specific consumer type, it is a type that is fast-growing (Burchell & Cook, 2006). According to a poll of about 25,000 people in 23 countries, Cogman and Oppenheim (2002) found that approximately 60 percent of the respondents judge a company on its social record. Furthermore, almost 40 percent have a negative view of companies that admit that they are not socially responsible, and 90 percent want companies to focus on more than just profitability. The expansion of the organic food sector also signifies a rise in ethical consumerism. In the last decades, the organic food sector grew by over 30 percent annually around the world (Naheed, 2009). According to Goodman (2004: 234) ethical consumers want products that represent “eco-friendliness”, serve as a remedy for the “psychic ills of modern civilisation”, but also symbolise a “hip consumer’s status symbol”. Due to the fact that these products are more expensive than the ordinary ones, they can only be consumed by those able to afford them. Therefore, thus far, corporations have predominantly responded to ethical consumerism in core countries (cf. Youssefi & Willer, 2006).

Despite the studies indicating how sophisticated consumers have become, it remains arguable whether ethics really matter when it comes to actual purchasing behaviour (Carrigan & Attalla, 2001). According to Carrigan & Attalla (2003), price, value, quality, and brand familiarity are all considered more important than social responsibility. Although the weight of CSR in consumer behaviour may presently be overrated, civil society, nonetheless, increasingly expects corporations to behave socially responsible and accountable. Even if CSR is not as relevant with regard to purchasing behaviour, when a corporation fails to behave responsibly, the consequence may be an absence of buyers, boycotts, and negative public relations. That is why corporations must acknowledge ethical consumerism and

consumer critique as a significant aspect of the contemporary global market. According to Burchell & Cook (2006: 131), corporations face an “increasing pressure [...] to disclose detailed information to the consumer, and significant risks for those who find that campaign organisations are disclosing information that had not been made public.” In sum, a further growth of ethical consumerism can be expected, that will then lead to a further increase of CSR that is more sustainable and involves less *greenwashing*.

4.2.3 Ecological Problems

As already stated, environmental or ecological issues can be classified under the term *social*. Accordingly, ecological problems are a distinctive form of social problem (Yearley, 2004). There are two reasons for this. On the one hand, the most prevalent ecological problems affect virtually all human beings. The spatial dimension of the problem is often so broad and complex that ecological problems commonly appear to have a global dimension (ibid.). On the other hand, recent ecological problems are man-made. Beck (1995) contends that the external environment increasingly came under human control in the 19th and 20th century. Mass food production, industrial agrochemicals, industrial pollution, a steady rise of natural resource-based energy consumption or the emergence of nuclear power all symbolise modern technological developments or by-products of it that have a massive impact on the global ecological system.

Especially Western corporations have been the biggest exploiters of their workforces and have also caused immense pollution in the last two centuries. According to Wallerstein (1997), today’s ecological problems are a result of two developments of historic capitalism. First, the fundamental need of the capitalist system for continuous geographic expansion and in terms of total production has led to a steady rise of pollution worldwide. In China, India, Mexico, and other countries with high economic growth rates, “citizens rank high in their exposure to pollutants, particularly toxic chemicals” (Miller & Yelin, 2008: 308). That is why the environment must have a leading position on the CSR agenda. The Economist even sees environmental problems as the biggest drivers of growth in the recent CSR movement (“Just Good Business”, 2008). Secondly, in order to minimise costs or increase profits respectively, corporations try to avoid paying “their bills” (Wallerstein, 1997: 3).

However, CSR has gained attention particularly because of a new environmentalist opposition that began criticising corporations directly for refusing to bear the costs of their ecological damage. These environmental activists emerged during the 1980s and applied a very new kind of direct action like “‘monkeywrenching’ bulldozers and ‘spiking’ trees” and have applied a new form of pressure on the industry (Athanasίου, 1996: 99). According to Beck (1995: 55), the environmental movement can be described as a “social, inward movement which utilises ‘nature’ as a parameter for certain questions.” It has dedicated itself to the management, protection, and restoration of the natural environment for the global social good (cf. Longazel, 2008). These environmental movements have been able to gain extensive public attention by uncovering corporate misbehaviours. According to Cogman & Oppenheim (2002):

“Meanwhile, the activist lobby has learned how to form unlikely alliances across the political spectrum—with people ranging from conservative protectionists to Left-wing trade unionists—and to mobilize public opinion on emotional issues through the skilful use of the mass media.”

The rise of environmentally conscious consumerism and activism also increased after the Chernobyl nuclear disaster in 1986 (cf. Miller & Yelin, 2008). Poorly handled environmental issues can result in negative public perceptions of a corporation and have associated direct costs. Furthermore, “occurrences like these can raise questions about a company's 'licence to operate' [...]. The threats to a company's reputation cast a shadow over the long-term financial prospects of a company unless the threats are properly assessed” (Tozer, 2005: 2).

Nevertheless, it seems that CSR has not brought decisive success to the resolution of global ecological problems as these have not yet been significantly reduced. On the contrary, most global ecological problems are still on the rise. Nuki (2007) maintains that statistics show that ecology has an increasing overall impact on corporate management strategies but there is no indication of improvements by business in environmental issues. According to Mayer (2007: 237), “the natural environment is under stress as never before.” The most urgent global ecological problems derive from pollution and intrusion into the earth’s biodiversity. The results are global warming and damage to the ozone layer, the pollution of the atmosphere, water and ground, a reduction of biodiversity, and hazardous waste as a by-product of production in societies in which there is intensive use of toxic chemicals and materials (cf. Kornblum, 2008).

The results are social problems like diseases, poisoning, death, desertification, deforestation, famine, floods, mass extinction, erosion of soil, reduced fresh water supplies, resource

scarcities and the foreseeable ending of natural resources or erratic agricultural yields (cf. Athanasiou, 1996; Burchardt, 1996; Mayer, 2007; Whitaker, 2008). The principal concern of a global agenda must be global warming (Yearley, 2004: 92):

“It is now widely believed [...] that humankind’s burning of fossil fuels (gasoline or coal) over the last two centuries has increased the amount of carbon dioxide (CO₂) in the atmosphere. Other gases, including chlorofluorocarbons (CFCs – synthetic compounds used for blowing insulating foams and much besides) and methane (CH₄ - a gas produced in large quantities by rotting landfill and by the digestive operations of cattle), also have a greenhouse impact. All these gases share the property that, when present in the atmosphere, they absorb heat energy as it radiates away from the earth’s surface into space. According to reports of the Intergovernmental Panel on Climate Change (IPCC), the more of the gases there are in the atmosphere, the better it is at insulating the earth’s surface, and the warmer the biosphere will tend to become.”

But despite the Kyoto Protocol, there has been little reduction of greenhouse gases and total gas emissions are actually on the rise. A significant reduction of ecological problems seems to require a new form of multilateral agreement. Here, it is crucial for CSR to play an important and supportive role. Hope, according to Nuki (2007: 239), rests on the fact that even if hardly any improvements in environmental issues are made, “the social perception of environmental issues today has developed considerably from that extant in previous occurrences of environmental pollution; this has already significantly influenced business management.”

4.3 CSR in Late Capitalism

As illustrated above, the increasing attention paid to CSR by business managers, society, and the state can be seen as a result of the developments in late capitalism. It is the emergence of the shift between the state, the private sector, and society that implicates the rise of CSR (cf. Sadler & Lloyd, 2009). Furthermore, CSR has changed to become a decisive and strategic management element of TNCs. Consequently, CSR is of relevance for the discussion about the future development of the MWS. Whereas CSR traditionally had a philanthropic character and differed greatly from company to company, it has taken on a much more strategic role and there are more similarities in different companies’ CSR.

The rising acknowledgment of CSR as a core business strategy indicates that globally operating corporations are increasingly moving towards more similar values of accountability and sustainability. The managing director of the Institute for Corporate Cultural Affairs (ICCA) Tollhurst (2009) even sees CSR as becoming the main corporate strategy

(<http://www.cca-institute.org>). He argues that in a global economy, products have become more similar. Accordingly, the only difference between corporations lies in their brand reputation. And CSR generates much more publicity than advertising (ibid). Therefore, corporations engage in CSR not because of moral decisions but because they are increasingly acknowledging moral values as the decisive element for profit maximisation.

Frankental (2001), however, argues that companies are beginning to accept that they have to account in some form for their wider impact on society as a significant step for the survival of capitalism. Accordingly, CSR would represent an important contribution to this development. But even if immoral management decreases, it is not likely that it will be eradicated. According to Carroll (2000: 41), “greed and human nature will ensure that Immoral Managers will always be with us”. Irresponsible corporate behaviour, especially by the banking sector, has intensified the recent economic and financial crisis. Yet, as we have seen, a crisis is often needed to initiate a rethinking process among corporations with regard to their CSR strategies. CSR activities in the sense of self-regulation frequently evolve when companies are forced to so implement these by various stakeholders (Stausberg, 2009). Consequently, corporations are presently more inclined to develop a comprehensive CSR strategy that may help strengthen the modern world economy and prevent or at least reduce the intensity of future economic crises.

Nevertheless, corporations also use CSR as a precautionary measure because it has been proven that, in the long run, having a comprehensive and accountable CSR strategy can lead to success.

“Corporations in general benefit from the sense that an ecological transition can be made within the unregulated global economy we suffer today, and from the official optimism that tells us that corporate greening is fated to overcome its many countertendencies to define the economic enterprises of the future” (Athanasίου, 1996: 238).

CSR can create financial value for a company. According to Bonini et al. (2009), CSR has several advantageous implications; it promotes economic growth by providing corporations access to new markets, enables corporations to offer new products that meet social needs and increase differentiation, to attract new customers, to offer innovations with cutting-edge technology and innovative products and services for unmet social or environmental needs and thus enhance brand reputation, loyalty and goodwill of stakeholders. Furthermore, CSR may increase returns on capital by improving operational efficiency with bottom-line cost savings through environmental practices such as energy and water efficiency or a reduced need for

raw materials. It can improve workforce efficiency by increasing employee morale and lower costs for turnover or recruitment, enhanced employee skills, and increased productivity through participation.

Furthermore, CSR has been recognised as a form of power in late capitalism. It represents a strategic solution for TNCs to sustain their powerful position within the MWS in the long run. With the concept of competitive advantage, Moon (2007) refers to the fact that some corporations view CSR as a possible strategy to gain economic advantages over their competitors. Zadek (2004: 26) coined the phrase “Responsible Competitiveness” to illustrate that TNCs confirm their CSR commitment to gain *first mover* advantages. This means that several corporations, which already actively implement CSR, promote industry-wide participation in CSR. This, in turn, demonstrates that some corporations already regard CSR as an integral part of modern and future capitalism. Promoting its ideals ahead of the competition helps companies establish themselves as leading advocates of the concept. At the same time, these corporations pressure governments to employ stronger regulations and higher CSR standards that, if legislated, force competitors to adopt them as well.

Competitors (especially corporations located in semi-peripheral countries) that are a step ahead because of their CSR standards, have a relative competitive advantage. Furthermore, high CSR standards raise the entry barriers to foreign competitors. The exclusiveness of CSR today is a driving force that can be considered an instrument of power and influence within the MWS. This becomes visible with – what Zadek (2001) calls – the third CSR generation, i.e., the incorporation of governments in the CSR framework as a new stage of development in CSR.

The role of governments and CSR public policies are linked to the concept of *soft regulation* (Joseph, 2003) or *soft power* (Nye, 2009), “highlighting the government’s role as a user of soft tools” (Albareda et al., 2008: 349). The increase of soft power, that reflects the rise of complexity in late capitalism, welcomes the involvement of governments in CSR. Furthermore, many TNCs have welcomed governments’ interests in CSR by supporting national CSR agreements and international CSR agendas. Global initiatives like the Global Compact (GC), the Global Reporting Initiative (GRI), the International Labour Organisation’s (ILO) conventions, the ISO 1400 certifications, or the “Global Corporate Citizenship Initiative” by the World Economic Forum (WEF) in 2001, illustrate a development in which

both governments and international governmental organisations, together with TNCs, foster a more sophisticated and comprehensive approach to CSR.

This again illustrates that the rise of CSR is accompanied by “the emergence of new understandings of the role of the private sector and the state” (Sadler & Lloyd, 2009: 615). But, as we have seen, major global problems still dominate and weaken the MWS. Several authors (cf. Korten, 2001; Cutler, 2007; Jones & Haigh, 2007; Reich, 2007; Sadler & Lloyd, 2009) have raised the concern whether CSR is in fact an appropriate tool to resolve these issues. In their view, CSR has not yet brought any decisive social improvements and is unlikely to do so in the future. The authors call for binding regulations for corporations to become more responsible and accountable. Others see CSR as a decisive tool on the path towards more responsible and accountable businesses in the MWS (cf. Matten & Crane, 2005; Moon, 2007; Porter & Kramer, 2006; Wood et al., 2006). They believe that self-regulation will bring more success, since corporations develop concepts that are more socially responsible and contribute to profitability at the same time. In their view, CSR has encouraged competition for best CSR practices, which make corporations help reinforce a more equal type of capitalism.

4.4 Conclusion

The first part of this thesis has presented an understanding of CSR within the modern world-system. CSR can be described as voluntary corporate social and environmental initiatives. Yet it also refers to the overall social and environmental record of corporations and places business within the broad context of its internal and external environment. CSR’s main orientation refers to the concept of sustainability and accountability that can be measured by looking at CSP.

Chapter 3 points out a contradiction within the CSR concept. Even if CSR aims to improve social and environmental conditions, it could be claimed that it is illegal when it violates the profit-seeking process. That is why corporations have traditionally had a minimal interest in improving social and environmental conditions; corporations have, furthermore, had a devastating record with regard to social and environmental problems.

With the developments of late capitalism, the situation for corporations has become much more complex. Whereas TNCs have been increasingly forced to maximise shareholder value, they have neglected social and environmental concerns. At the same time, they have reorganised their management towards a flatter organisation, have concentrated their management structures, outsourced production processes that have lead to an increasing need of high-skilled workers, and to a decrease of unskilled ones. Steady economic growth has, moreover, made TNCs wealthier and larger than ever before.

In the so-called era of neo-liberalism, nation states have weakened while global governance structures do not yet have far-reaching regulative capacities. The weakness of states is accompanied by a shift of power from citizens towards consumers and shareholders. Furthermore, social and environmental problems continue to rise. This has resulted in an emergence of social and environmental civil society movements that are exerting pressure on corporations to put an end to bad corporate behaviour.

The increasing significance of the CSR movement is a result of all these developments. Large corporations in particular have acknowledged CSR as a decisive concept for responding to the developments of late capitalism. That is, CSR exemplifies how corporations behave in relation to social and environmental developments. Thereby, corporations increasingly understand CSR as a business strategy that helps to improve the process of profit maximisation. CSR is also seen as a tool of soft power, whereby corporations influence national and global governance in their own favour. Thereby, it remains unclear whether CSR has a beneficial or a negative effect for the modern world economy.

The case study aims to shed some light on how CSR can be classified within the modern world-system. This is achieved by analysing how three selected TNCs execute their CSR strategies in a country where social and environmental problems are comparable to global conditions. The objective of the case study analysis is to assess how these three corporations implement CSR and whether this improves or weakens the social and environmental development in South Africa. It will, moreover, provide insights into the connections between global and national CSR and consequently make it possible to classify the concept of CSR within the modern world-system.

Chapter 5 Case Study Analysis

5.1 Structure of the Case Study

As we have seen, CSR modifies management activities and company behaviour, thereby influencing corporations' relations with society and the state. Accordingly, a comprehensive CSR analysis must contain societal and political aspects in addition to business-related ones (cf. Cutler, 2007; Jones & Haigh, 2007; Sadler & Lloyd, 2009), in order to arrive at results about the wider effects of CSR, including the impact on the relationship between the state, society, and the economy. Several institutions, corporations and organisations (cf. DVFA, IFC, PWC, and the UN) have acknowledged ESG, i.e., that the three components *environmental*, *social*, and *governance* represent criteria that must be included in a comprehensive analysis of CSR. Therefore, the following case study analysis includes all three aspects. It looks at how specific corporations use and develop CSR in order to sustain their power within the triangle consisting of the state, the economy, and society, and, finally, evaluates the positive and negative impacts of this behaviour.

The complexity of CSR is illustrated on the basis of three case companies BMW, Mercedes-Benz/Daimler and Volkswagen in South Africa. In order to verify the hypothesis, the case analysis aims to assess a) how the three corporations understand CSR, b) how they practice it, c) what impact their CSR programmes have on the triangle state-economy-society in South Africa, and d) the general development of recent forms of capitalism. A strengthening of the South African economy and the MWS would imply a corporate understanding of CSR as a core strategy of the corporate management, whereby the management takes a TBL perspective¹⁸ which is limited by a long-term interest in profit maximisation. Ideally, corporate management acknowledges its powerful position within the MWS and supports

¹⁸ TBL stands for *triple-bottom-line* and refers to the fact that business does not merely focus on financial performance, but also considers social and environmental aspects. TBL proponents argue that in addition to the financial (single) bottom-line, there are two more aspects of business performance, a social and an environmental one (Elkington, 1997). The TBL approach refers to the idea that social and environmental issues should not be regarded as secondary to other conventional business imperatives. Moreover, according to the European Commission's Green Paper (2001: 28) "the overall performance of a company should be measured based on its combined contribution to economic prosperity, environmental quality and social capital."

strong governance structures, as well as the advancement of civil society. Thus, CSR should be oriented towards the following values:

- Accountability
 - Compliance (to the law and to other agreements and declarations)
 - Responsibility (for social and environmental externalities)
 - Support (increase positive external effects to society and to the state)
- Sustainable Development
 - Long-term approach (integrate balanced social, environmental, and economic considerations without compromising the ability of future generations to meet their own needs).

In order to determine whether the case companies pursue these values, the case study analysis considers two distinct perspectives. These include the firm's microeconomic perspective and the macroeconomic perspective of the whole economy, which can be extended to include society in general. Pressure and demands from the larger macro environment – namely civil society and government - necessitate the implementation of more and better CSR. From the micro perspective of the three firms, the challenge is how to respond to these pressures/regulations while remaining competitive and profitable (see Figure 12).

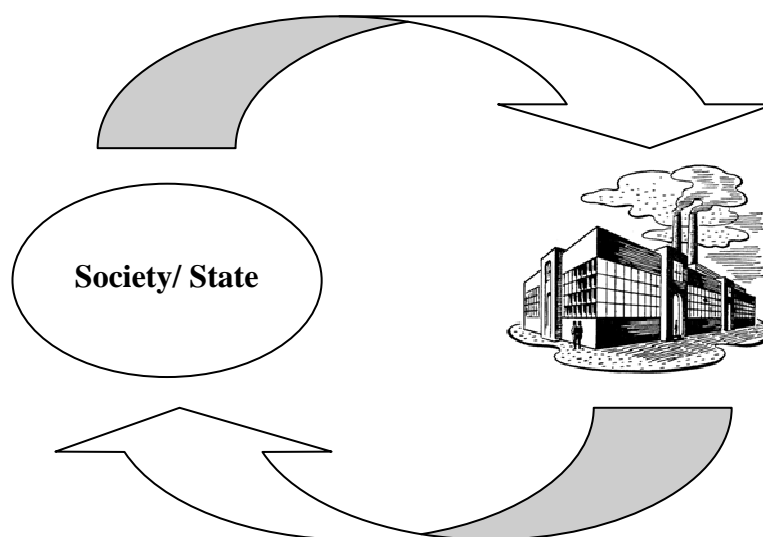


Figure 12: The correlation between business and society/state.

In line with the Figure above, the case study analysis is subdivided in Chapter 6 which examines the global and national pressures the three case companies are exposed to. The

chapter illustrates how the advanced CSR programmes of the parent companies influence the South African subsidiaries. Subsequently, Chapter 7 focuses on how the three case companies respond to these pressures. It explores how the companies deal with social and environmental problems and challenges at national (i.e., South African) and global level. The issues addressed by the corporations' CSR and those that are not included in relation to the national and global social challenges are discussed. The evaluation thereof examines whether the corporations keep to the CSR criteria of sustainability and accountability, and whether the companies adequately deal with pressing national and global problems. This assessment shall, moreover, reveal whether the case companies' CSR programmes positively affect South African society and strengthen the South African state.

The final chapter, Chapter 10, summarises the findings of the previous chapters and presents a conclusion about the impacts of the three corporations' CSR policies for South Africa. In order to arrive at a comprehensive analysis of the impacts of CSR and determine the potentials and weaknesses of CSR strategies for sustaining capitalism, this chapter combines the theory of the thesis's first part and the research findings of the second part to arrive at an answer about the impacts of CSR for the MWS on the whole.

5.1.2 The Interview Questionnaire

As already stated in Chapter 1.5.3, one important source of information gathering is the evaluation of the CSR questionnaire that was forwarded to corporate representatives of the three corporations, as well as to one external CSR professional with knowledge about CSR at BMW SA, MBSA and VWSA. The objective of the questionnaire was to collect different viewpoints on the role of CSR at the three South African subsidiaries. Two different versions of the questionnaire were used. One version specifically addressed the corporate CSR representatives and included questions about the respective company's CSR programmes. The other one was designed for externals in order to obtain more objective viewpoints about CSR at the three companies.

The questionnaires were structured as follows: The first four sections included questions on CSR understanding to obtain a general definition of CSR, to determine how the CSR strategy is applied at BMW SA, MBSA and VWSA, and what benefits the respondents expected from a defined CSR policy. Sections 5 to 7 questioned the respondents about their most important

stakeholders and about the contextual and organisational issues they felt ought to be included in a comprehensive CSR strategy. Sections 8 to 10 focused on the respondents' assessment of their specific CSR strategy/strategies. The questions in section 8 included CSR issues that have to date not been sufficiently addressed by BMW, Mercedes-Benz and Volkswagen. Section 9 addressed socio-economic issues that are perceived as the most critical for the future success of business, while section 10 dealt with questions about which strategies ought to be strengthened in the future to successfully manage socio-political issues.

Although a number of possible interview partners were contacted, only a few responded. Fortunately, one representative of every case company completed the questionnaire.¹⁹ This indicates that CSR is of importance for all three subsidiaries included in this study. Unfortunately, only one external CSR professional answered the questionnaire. Requests from government, union, NGO and media representatives were not answered at all. The questionnaire will thus only serve as a complementary research tool in the case study analysis. The findings from the questionnaires do not represent a central element of the research, but supplement and accentuate certain arguments.

5.2 BMW SA, MBSA and VWSA — A Brief Overview

With an annual production of 630,000 vehicles in 2008, South Africa is a minor contributor to global vehicle production, with 73 million units in 2007 (“South Africa’s Automotive Industry”, 2008). However, the automotive sector is of major importance for South Africa’s national economy, contributing approximately 7.5 percent of the GDP and employing around 108,000 people in 2005 (osec, 2009). The South African government has identified the automobile industry as a key growth sector (ibid.). The country furthermore has more than 200 automotive component manufacturers and another 150 that supply the industry on a non-exclusive basis (“South Africa’s Automotive Industry”, 2008). BMW, Mercedes-Benz and Volkswagen together with Ford, General Motors, Nissan, and Toyota have production plants in South Africa. These large, globally operating Original Equipment Manufacturers (OEM) dominate the South African automotive sector (Hönke et al., 2008).

All three case corporations have a long history in South Africa. The BMW brand was first introduced in South Africa by a German immigrant who started selling BMW motorcycles in

¹⁹ From MBSA, even two respondents answered the questionnaire.

1932 and began offering BMW motor vehicles in 1958 (Phillips, 2002). In 1968, a Pretoria-based company, Praetor Monteerders, began assembling BMW cars at its factory in Rosslyn, which was bought by the German BMW AG five years later and established as BMW South Africa in 1974. The South African plant in Rosslyn is the first BMW plant that was founded outside Germany (<http://www.bmw.co.za>).

Daimler's engagement in South Africa was initiated in 1954, when Daimler-Benz opened an office in Pretoria.²⁰ Four years later, the Car Distribution Assembly Ltd. started manufacturing Mercedes-Benz vehicles for Daimler-Benz in East London. After Daimler-Benz acquired 50.1 percent of the company United Cars and Distributors Pty (Ltd.), Mercedes-Benz South Africa Pty Ltd. was registered in 1984. MBSA with its head office in Zwartkop, Pretoria is a wholly owned subsidiary of the Daimler AG that has its global headquarters in Stuttgart, South-West Germany.

The history of Volkswagen in South Africa began with the official opening of the South African Motor Assemblers and Distributors (SAMAD) plant in 1949. At this plant, various models were assembled, including the Beetle, which was introduced to the South African market in 1951. With the success of the Beetle, SAMAD increasingly started to focus on VW brands (Phillips, 2002). In 1956, the German Volkswagen AG bought a controlling interest of SAMAD, which became a fully owned subsidiary of VW in 1974. Since 1966, the South African subsidiary has borne the official name Volkswagen of South Africa.

All three companies, BMW SA, MBSA and VWSA, are full subsidiaries of the German parent corporations BMW AG, Daimler AG and Volkswagen AG, respectively. In South Africa, the three parent companies each operate one plant at which BMW SA and MBSA manufacture one series of their automobile type that has been labelled *compact executive cars* (the BMW 3-series and MB C-Class), and VWSA produces two small models. Within the parent groups, the South African affiliates play only a minor role. In 2008, for example, the BMW Group sold over 1.4 million vehicles. The vehicles produced in South Africa comprise less than 5 percent of BMW's total production. With a profit of € 28 million in 2007, BMW South Africa reached about 3 percent of the total return of the entire BMW Group (BMW, 2008). At MBSA with a turnover of € 3.13 billion, the MBSA subsidiary contributed 3.15

²⁰ After the former DaimlerChrysler AG abandoned the Chrysler business unit in May 2007, DaimlerChrysler was renamed Daimler AG. The South African subsidiary changed its name from DaimlerChrysler SA to Mercedes-Benz South Africa.

percent to Daimler AG's total turnover of € 99.4 billion in 2007. VWSA's production location in Uitenhage contributes around 2 percent of VW's total production (VW, 2009). VW's worldwide production figures reached 6.2 million in 2007, with the entire company making a turnover of € 108,897 billion (VW, 2008b). In 2007, VWSA employed 5,664 people, while total employment figures were at 329,305 (ibid.).

The numbers above underscore the insignificance of the three case companies for their automobile parent groups. At the same time, they play an important role for the South African economy. The production of prestigious automobiles requires sophistication and a strong supplier network and it therefore emphasises the strength of the South African economy at the international level. Furthermore, all three companies are major employers and tax payers. In other words, the three case companies have a powerful position within the South African economy. The South African automobile sector depends heavily on foreign automobile brands to remain and consolidate their investments in South Africa. That is why foreign automobile corporations expect additional support from the South African government in terms of subsidies and tax privileges (cf. Hönke et al., 2008). The *exit* option, i.e., the threat to relocate production to another country, gives the automobile corporations a powerful stake in the debate about the extent of their responsibilities. Further investments thus depend on the social and economic record of the Southern African region and the African continent in general, but also on the compliance of the South African government.

Chapter 6 Building an Interdisciplinary CSR Framework

6.1 The Role CSR Plays for the Parent Companies

As stated in Chapter 4, owing to the developments of late capitalism, TNCs face an increasing global competition that affects their affiliates. Furthermore, there is a growing global civil society that monitors TNCs and points out social and environmental corporate misbehaviour. At the same time, global CSR governance is characterised by weak regulative capacities. Global CSR policies often comprise a form of *soft power* (Nye, 2009). Global initiatives like the Global Compact (GC), the International Labour Organisation's (ILO) conventions or the "Global Corporate Citizenship Initiative" by the World Economic Forum (WEF) constitute a global governance framework that is based on voluntarism.

Whereas Volkswagen is the world's second biggest automobile company and produces an entire range of cars, BMW and Mercedes-Benz operate in the niche of up-market, high-tech cars. In fact, all three German car manufacturers rely first and foremost on their engineering reputation rather than on competitive pricing or innovative marketing (Rosengarten & Stürmer, 2005). The issue of quality is accordingly a core corporate principle and, therefore, offers good prerequisites for implementing a comprehensive CSR strategy. All three companies claim that CSR is not new to them; social responsibility – and especially sustainability – has been part of their core management strategies since their early years (cf. BMW, 2008; Daimler, 2008; Volkswagen, 2009).

CSR at the three parent companies BMW, Daimler and Volkswagen has a long tradition and is anchored in various ways. The three companies' CSR is closely connected to Germany's welfare capitalism or what has been described as *Rhenish capitalism*, namely the prosperity of large companies under the protection of big banks which provide long-term capital and take "a strong interest in industrial enterprise itself through extended ownership of capital and their acting on behalf of a great number of private shareholders" (Wengenroth, 1997: 172). Rhenish capitalism is, moreover, characterised by strong unions and the rule of *Mitbestimmung* (co-determination). Labour representatives are also part of the corporate advisory boards. Employee involvement is guaranteed through works councils in the private sector and by staff councils in the public sector (Weiss, 2005). In contrast to many other

countries, works councils consist exclusively of employee representatives who act as the counterparts of corporate management (ibid.). This gives labour unions an important and independent voice within the process of negotiating work and payment conditions.

Rhenish capitalism, however, has lost some of its influence following widespread criticism of the system, and especially since the emergence of neo-liberalism (Streeck & Hassel, 2003). Consequently, attempts were made to reduce inter-firm dependencies and union involvement in the German industry. Flexibility and innovation capacity have become key for the orientation of German automobile companies within the MWS (Dudenhöfer & Büttner, 2006). Accordingly, recent CSR strategies of German corporations are inherent in both streams: the tradition of stakeholder capitalism (corporatism marked by long-term orientation and high employee involvement) and the modern development of shareholder capitalism (liberalised markets and an increase of the significance of profit maximisation). The former concept of the German industry, which can be described as “competition abroad – cooperation at home” (Wengenroth, 1997: 139), has yielded a CSR definition that still contains traditional concepts, but is also in line with general CSR definitions by other TNCs, and moves towards developing global CSR standards. According to Prätorius²¹ (in Beecken, 2008), German automobile corporations have always been involved in social projects, but have recently adopted a more modern approach to CSR by binding it and sustainability close to economic and financial core processes. CSR, therefore, takes a more strategic role and has become more standardised.

6.1.1 CSR Understanding – Convergence Among the Three Corporations

BMW, Daimler and Volkswagen claim that their business is increasingly being aligned with social and environmental challenges. This, of course, does not imply an abandonment of the profit motive. On the contrary, comprehensive CSR is acknowledged as having a decisive impact for future economic success. For example, sustainability is perceived as making a positive contribution to the BMW Group’s economic success. Dr. Eichiner²² asserts that BMW’s shareholders increasingly consider sustainability performance in their evaluations (BMW, 2009). He believes that “in the long run, only companies that plan for the long term

²¹ Dr. Gerhard Prätorius is the head of CSR and sustainability at Volkswagen AG.

²² Dr. Friedrich Eichiner is a member of the Board of Management at BMW AG Finance.

and conserve resources will succeed” (cited in BMW, 2009: 2). Reithofer also emphasises the importance of sustainable development, arguing that “sustainability should be the defining principle of how we design our processes and procedures” (ibid., 2009a: 2).

Other leading BMW managers have also pointed out that strategic sustainability has been integrated into their business as a major strategy. Arndt²³ argues that a primary objective of BMW’s sustainability strategy is clean production by reducing emissions and increasing production efficiencies (ibid.). Krüger²⁴, moreover, views sustainability as a decisive criterion for human resource development. On the one hand, a well-developed sustainability strategy attracts employees. On the other, according to Krüger, long-term success includes a strategy to compete with “personnel development and change issues, as well as the shortage of skilled labour and demographic change” (ibid., 2009a: 2).

Dr. Draeger²⁵ has responded to recent criticism of the German automobile industry by underlining that the product itself must also take the criteria sustainability into account. In his view, it is BMW’s “main concern [...] to make individual mobility sustainable” by developing “low-consumption vehicles that combine efficiency with dynamic driving performance” (cited in ibid., 2009: 2). This is a peculiarity of BMW compared to full-range automobile manufacturers like Volkswagen and Toyota. BMW as a “premium manufacturer” wants “to make a real contribution to sustainability by offering [...] fuel-efficient vehicles, as well as driving pleasure” (Robertson,²⁶ cited in BMW, 2009: 2).

The BMW Group perceives a fundamental connection between premium products and sustainability (BMW, 2009). In September 2007, the BMW Group presented its corporate *Strategy Number ONE* that defines its vision of becoming “the leading provider of premium products and premium services for individual mobility” (ibid., 2009: 4). Long-term alignment signifies another objective within Strategy Number ONE, considering “that being a good corporate citizen is an integral part of how BMW Group defines itself as a company” and pursues the aim of becoming the most sustainable company in the automotive sector (ibid., 2009: 6). Its recent sustainability strategy was adopted by the Board of Management in the first half of 2009 and applies to all of BMW’s divisions worldwide. The overriding objective

²³ Frank-Peter Arndt is a member of the Board of Management at BMW AG Production.

²⁴ Harald Krüger is a member of the Board of Management at BMW AG Human Resources and Industrial Relations Director of the BMW AG.

²⁵ Dr. Klaus Draeger is a member of the Board of Management at BMW AG Development.

²⁶ Ian Robertson is a member of the Board of Management at BMW AG Sales and Marketing.

of the recent strategy is to make sustainability an integral part of the entire value chain and its underlying processes. Thereby, BMW wants to create an added value for the company, the environment, and society (cf. Figure 12).

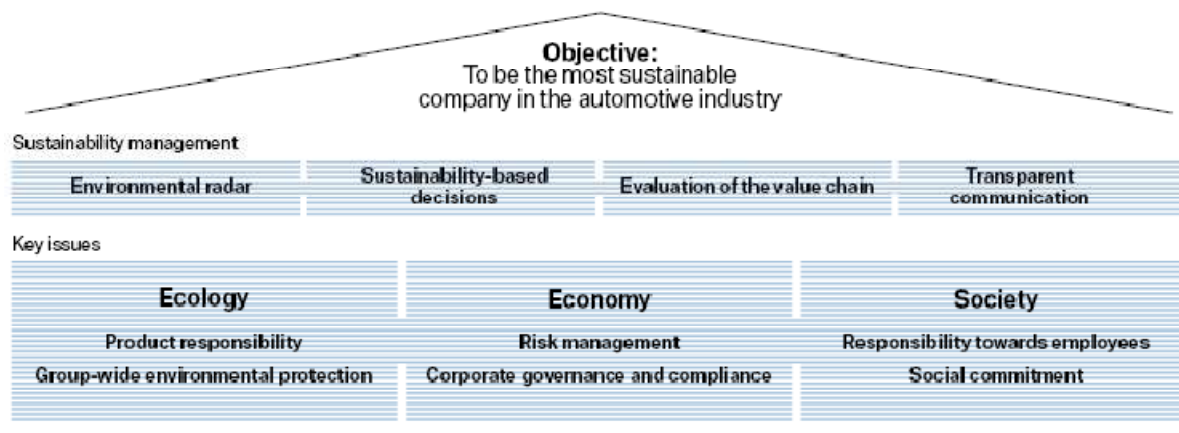


Figure 13: BMW Group sustainability strategy and key issues (BMW, 2009)

At Volkswagen, CSR is also increasingly being viewed as a business strategy and has been developed more consistently for the entire Group. Consequently, VW pursues a TBL approach that is described in the annual report of 2008 and the Sustainability Report 2009/10. Winterkorn, for example, contends that “commercial success, environmental protection and social responsibility: these three elements must be brought into balance around the globe and in a sustainable manner” (cited in VW, 2009: 4). He, furthermore, claims that sustainability is VW’s leading principle:

“Despite the financial crisis, we are continuing our progress along the path to sustainable mobility – without sacrificing emotional appeal or driving pleasure. [...] For a global player, sustainable corporate management practices are multilayered and complex. However, we are certain that in difficult times, sustainability is the key to long-term success” (ibid.).

According to Winterkorn, sustainability contains three dimensions: First, it implies efficiency, profitability and appreciation. Secondly, sustainability entails technical expertise and quality. And third, sustainability refers to environmental and social responsibility. The approach to Volkswagen production plants follows the guideline “global standards – local production”, while acknowledging human rights and different environmental standards (VW, 2009: 2). But this does not mean that the working conditions are the same everywhere. Nonetheless, working times, remuneration, occupational health and safety “at least meet the relevant national standards” (VW, 2009: 31).

Daimler's vision of the concept of sustainability has been defined by Heger²⁷ (2009), who asserts that a comprehensive sustainability strategy brings about social acceptance for Daimler's business activities. Daimler acknowledges three dimensions of sustainability. First, sustainability implies responsible corporate management and long-term economic success. Secondly, it entails the economic use of natural resources and keeping the environment intact. Third, sustainability means stakeholder responsibility for society at large.

Daimler acknowledges economic success and CSR as being inseparably interconnected, which is demonstrated by its listing in the DJSI World since 2007 (Heger²⁸, 2009). It takes a TBL approach to CSR, where sustainability "requires addressing the big picture", i.e., sustainability involves environmental protection activities, as well as community projects, social commitment, traffic safety issues, supplier relations, and being a good corporate citizen towards neighbours at the locations where Daimler operates (Grube²⁹ cited in Daimler, 2008: 9).

6.1.2 CSR Implementation at Headquarters

To determine whether the three corporations live up to their claims of sustainability, it is useful to assess which organisational capabilities they have established. Hohnen (2007) argues that companies must develop an integrated CSR decision-making structure in order to implement their CSR programmes effectively. Such a structure must be put into operation to ensure that all business strategies comply with aspects relating to social and environmental responsibility. If CSR aspects do not inform the decision-making process, it is doubtful whether CSR makes any difference at all. Loew and Braun (2006: 1) come to the conclusion that "CSR is a genuinely interdisciplinary issue with implications for a number of different areas of action and hence for a range of different corporate organisation units (human resources, purchase, production, etc.)." Therefore, CSR management as a central pillar should be incorporated into the corporate management structure.

²⁷ Dr. Wolfram Heger is the Senior Manager of Corporate Social Responsibility at the Politics and International Relations department at Daimler AG.

²⁸ Dr. Wolfram Heger is the Senior Manager Corporate Social Responsibility and head of Politics and International Relations at Daimler AG.

²⁹ Rüdiger Grube is a member of the Daimler Board of Management and is responsible for Corporate Development.

Loew and Braun (2006) propose four requirements that comprehensive CSR must meet:

- providing the department that is responsible for coordinating CSR direct access to the company's top management by assigning overall responsibility for CSR to a specific member of the board;
- ensuring that the CSR department is accompanied by an interdisciplinary committee (i.e. sustainability council) staffed by representatives from different divisions of the company and of subsidiary companies;
- integrating specific and binding ecological, social and ethical values into the company's overall strategy and objectives;
- collaborating with externals who monitor and assess the corporations' social and environmental strategies.

The extent of CSR at the three South African subsidiaries highly depends on the organisational implementation of CSR at the parent companies, BMW, Daimler, and Volkswagen. All three corporations have very similar approaches to CSR, which is implemented directly by the board of management through an established CSR office (that is separate or integrated into another department). The CSR offices at the parent companies determine their respective CSR strategy and review management decisions on sustainability issues. Because of a continuous exchange between CSR professionals and the board of management including the CEO, all three companies demonstrate that they aim to ensure that sustainability influences the decision-making process in accordance with their CSR understanding.

The implementation of CSR at a high level internally is a recent development at all three parent companies. Whereas only Volkswagen has a separate CSR department, BMW and Daimler's CSR offices are part of the corporate strategy division. Since 2006, the Volkswagen Group has operated a CSR department called the *Coordination CSR and Sustainability Office*. This CSR office is responsible for the strategic direction of CSR and optimisation across the entire Group and answers directly to the VW board. Together with the *CSR Steering Group* and the *CSR Project Team*, the CSR and Sustainability Office form the triangle of VW's overall CSR coordination (see Figure 17). The CSR Steering Group regularly brings together decision makers from all central group departments to discuss and implement CSR strategies at their respective departments (VW, 2008a). The CSR Steering

Project Team, inter alia, builds the interface for the departments, and issues, monitors and defines ethical risks and opportunities, and develops and evaluates the stakeholder dialogue.

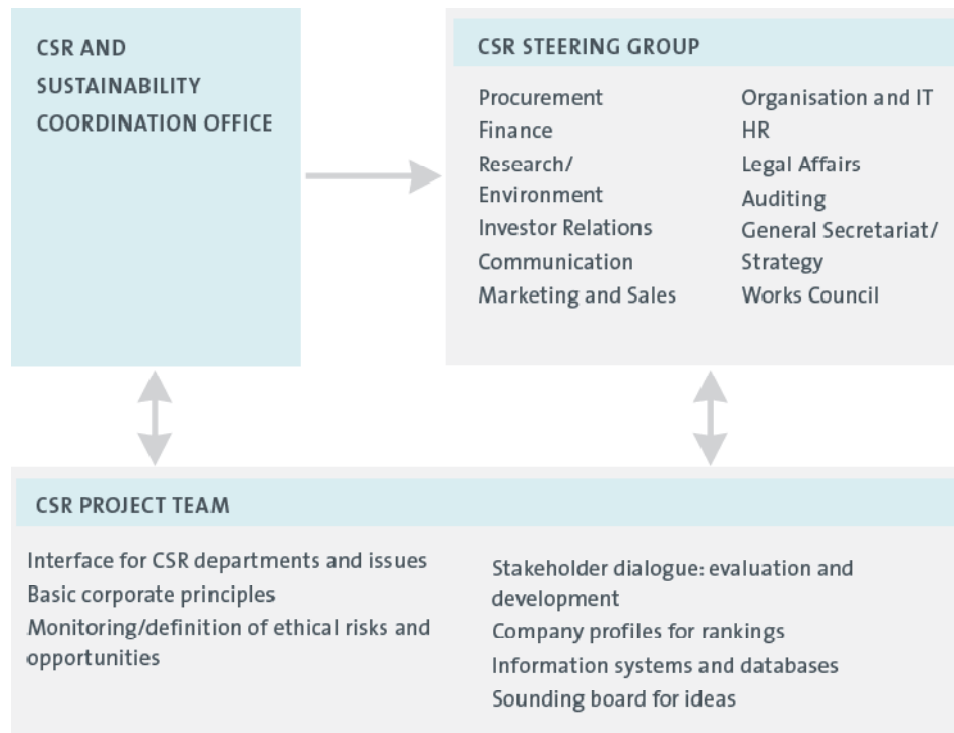


Figure 14: Coordination of CSR and sustainability at Volkswagen headquarters (VW, 2009: 12)

Next to a CSR department, Loew and Braun (2006) suggest the implementation of an interdisciplinary committee to ensure that (1) executive managers include sustainability criteria into their business decisions, and (2) all departments develop and accept specific CSR guidelines. In 2008, the BMW Group installed the *Sustainability Circle*, a unit in charge of implementing all corporate sustainability activities within the group (BMW, 2009). The Circle is chaired by the BMW Group representative for sustainability and environmental protection. However, the Circle's members only meet between four to six times a year to:

- identify and evaluate sustainability-related opportunities and risks,
- coordinate sustainability activities within the BMW Group,
- advance cross-divisional cooperation,
- exchange information and issue statements, and
- refine the sustainability strategy.

(BMW, 2009: 10).

To ensure that the overall business strategy is consistent in terms of sustainability criteria, the BMW Group created another committee in 2009. The *Sustainability Board* directly places

sustainability on BMW's highest organisational level. The Sustainability Board comprises the entire board of management that meets twice a year to discuss and adopt the CSR strategies proposed by the Sustainability Circle (see Figure 14). The operational implementation of CSR activities is supervised by subordinate management departments, like the department for environmental protection, quality assurance and occupational safety.



Figure 15: BMW Group sustainability organisation (BMW, 2009: 10)

Daimler's CSR management looks quite similar to that of its two competitors. Accordingly, all three companies conform to Loew and Braun's (2006) first two criteria in the CSR organisation scheme that requires direct access by the CSR department to the company's top management, while the representatives of all higher business units are represented in a second interdisciplinary CSR committee. Thus, the parent companies illustrate that their holistic view of CSR has indeed been integrated into the corporate structure.

6.1.3 CSR Standardisation and What it Entails

A further decisive step for CSR organisation according to Loew and Braun (2006) is the availability of binding elements that guarantee CSR enforcement. Internally, the automobile Groups have implemented several mechanisms that support stronger CSR. Two recently integrated organisational systems that have a regulative function include compliance offices and risk management. Another method linked to CSR is the Integrated Management Systems (IMS). Implementing management systems has been quite popular among TNCs since the

beginning of the 1990s (Zwetsloot, 2003). They are used to improve, standardise and internationalise management and production processes and for companies to benefit from better quality, greater efficiency, higher added value per product, greater customer satisfaction, and, ultimately, higher profits (ibid.). With the emergence of the CSR agenda, social and environmental issues have increasingly been embedded into the further development of already existing management standards.

Two recently implemented management systems at all three corporations involve legal compliance and the management of social, economic and environmental risks. The three German companies thus responded to the recent criticism of corruption at German companies in foreign countries, e.g. the case of SIEMENS AG in 2006 or the ethical affairs scandal at Volkswagen that same year with reference to the *lust voyages* on company costs.³⁰ The implementation of global risk management systems can be interpreted as a response to rising global insecurity.

In response to the recent financial crisis, VW has developed several risk indicators and early-warning systems, as well as an *Environmental Radar Team* in order to identify uncertainties and risks with regard to ecological developments (cf. VW, 2009). Volkswagen's decentralised risk management is embedded in all business processes. The responsibility for risk monitoring lies with the respective departments and affiliates. Also, environmental protection standards are anchored within the respective departments but are headed by the board of management and the *Corporate Environmental Steering Group*. This indicates that environmental standards have assumed a high significance for VW since they are directly decided upon by the group's top management. Similarly to BMW, VW also organises the issue of suppliers' CSR within the procurement department. As a partner of the *European Alliance for CSR* and using the online platform for *Responsible Supply Chain Management*, the VW Group tries to maintain a propulsive position with regard to sustainable supplier management. BMW and Daimler also assign risk officers to their global production locations and are presently planning on including supplier management into this strategy. Risk officers are assigned to all organisational levels and can report to the group representative for sustainability and environmental protection.

All three parent companies recently implemented a comprehensive and global compliance system. The issue of compliance was introduced at Daimler in 2006. *Corporate Compliance*

³⁰ For a comprehensive analysis of both corruption scandals, see Leyendecker (2007).

is headed by the *Chief Compliance Officer* (CCO), who is also the head of Daimler's legal department. The CCO is supported by several compliance managers at Daimler's worldwide affiliates. Daimler also maintains a *Compliance Consultation Desk* for employees and a *Business Practices Office* for externals. Likewise, BMW has a *Compliance Committee* that heads several *Compliance Offices*. The *Compliance Offices* were recently established at every BMW location worldwide and are responsible for controlling legal compliance of all BMW activities and those of its employees and executives. The *Compliance Committee Offices* have to answer to the Compliance Committee, which is directly responsible to the Board of the BMW Group. The VW Group appointed a *Group Chief Compliance Officer* in 2007 who simultaneously leads the legal and compliance departments and reports directly to VW's CEO. The compliance officer is supported by a central compliance office that recently built up a global network of subdivided compliance offices.

A further standardisation that has evolved due to the CSR movement refers to CSR reporting. All three parent companies publish an annual CSR report that informs about their various social and environmental involvements. In this regard, the three companies have adopted the GRI standards. The Global Reporting Initiative (GRI) is the most widely recognised framework for CSR reporting and is thus a decisive tool for the standardisation of CSR reporting. It was established in 1997 through the initiative of several NGOs (primarily CERES) and seeks to enhance "the quality, rigour, and utility of sustainability reporting around the world" (Freemantle & Rockey, 2004: 210). With the help of the G3 guidelines, CSR figures in different CSR reports can be made comparable. The recent sustainability reports by BMW Group, Daimler AG, and Volkswagen Group all reached the highest possible GRI G3 level A+ (cf. BMW, 2009; Daimler, 2009; VW, 2009). The three companies use their CSR reports to communicate their progress in the Global Compact. Communication on Progress (COP) informs various stakeholders about progress made by implementing the ten GC principles and supporting broad UN development goals.

6.2 The Scrutiny of Global Civil Society

The influence of the global society for CSR at the three case companies is mainly limited to international guidelines on CSR, forums, and other voluntary Global CSR initiatives. The parent corporations have encountered pressure from a civil society group involved in

apartheid-related issues as well as from a relatively strong environmental movement that criticises the product policies of leading automobile corporations.

The era of apartheid has given South Africa its unique history and has left deep marks on the South African economy (Seidman, 1999). Foreign corporations have been accused of having supported the apartheid regime. All three companies examined here, BMW, Mercedes-Benz and Volkswagen, had production plants in apartheid South Africa and made use of the detrimental working conditions (Morgenrath, 2002). Whereas De Weck (1987) argues that all three companies permitted union membership and treated black workers as nearly equal to whites, despite the fact that blacks were not represented in management, there are other examples that show a different picture. Whereas information about the German automobile corporations' role during apartheid is scarce, a strike at Daimler-Benz in 1987 has been documented by Kittner (1988). According to Kittner (1988), a wage dispute between the union and the Daimler management led to a strike in 1987 that showed that multinational companies also made use of the apartheid system through the dismissals of protesters.

The reason for the strike was the demand by workers for a minimum wage of € 0.45 (R 5) per hour and a reduction of working hours, according to an Industrial Council Agreement by the union that was, however, rejected by Daimler-Benz SA's management. Daimler's decision was backed by the South African labour minister, who declared that the Industrial Council Agreement was illegal. Even after Daimler-Benz SA had reached an agreement on this issue and revoked the dismissals, Kittner (1988) claims the company impeded the work of the union, made use of brutal police force and continued to threaten workers with mass dismissals. This shows that corporations used all sorts of legal possibilities to increase their profits during the apartheid era, even if it meant harming one's own workforce. Bezuidenhout et al. (2007) assert that the campaign for sanctions against South Africa's apartheid regime during the early 1970s raised corporations' awareness of CSR for the first time.

Because of their implications with the apartheid regime, general international attention is focused on them with regard to equality-related issues. More precisely, in 2002, 91 members of the Khulumani Group took legal action against foreign companies that were involved in business in and with apartheid South Africa for violating international sanctions and arms embargos ("Apartheidopfer", 2009). The case has recently been settled in the New York district court and has arrived at the conclusion that not only the accused companies, including

Daimler, profited from the apartheid system, but had been directly involved in propping up the regime (<http://www.khulumani.ne>).

6.2.1 The Limitations of International CSR Policies and Forums

CSR guidelines represent “voluntary predefined rules and procedures for organizational behavior with regard to social and environmental issues” (Rasche, 2009: 192). Even though scholars have described the basic characteristics of CSR standards (Göbbels & Jonker, 2003; Leipziger, 2003), no model per se exists “to compare their characteristics [...] and that gives [...] a yardstick for analyzing the strengths and weaknesses of a standard” (Rasche, 2009: 193). For the following analysis, CSR standards and guidelines that are widely accepted and extensively developed have been selected. They must furthermore have an impact on CSR in South Africa. The following list includes the most relevant international CSR principles, according to the World Business Council on Sustainable Development³¹ and should thus have an impact on CSR in South Africa (www.wbcsd.org):

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- GRI Sustainability Reporting Guidelines
- AA1000 Assurance Standard
- SA8000
- ISO14001
- Dow Jones Sustainability Indexes.

According to research by the World Bank Group (2003), MNEs rank the ISO 1400 and GRI as being most important for CSR. Bezuidenhout et al. (2007) state that the ISO 14000 is South Africa’s most prevalent certification scheme. Compiled by the International Organisation for Standardisation (ISO) in 1996, the ISO 14001 series “provides voluntary standards to enhance companies’ ability to manage their environmental impacts and risks and improve their environmental performance” (Freemantle & Rockey, 2004: 214). This is followed by the ILO Core Conventions and the Global Compact. SA 8000 and AA 1000 only play a minor role for MNEs. The selected standards and guidelines comprise several CSR areas. Whereas the GRI directs the content and scope of CSR reports, the Global Compact covers CSR policies with

³¹ This list has been reduced by the Sarbanes-Oxley Act (that is only relevant to the U.S. market) and the UN Human Rights Norms for Business (that are represented within the UN Global Compact).

regard to social and environmental issues, such as the OECD guidelines which also include economic aspects (Rasche, 2009).

The Global Compact and the OECD Guidelines for Multinational Enterprises includes environmental (GC) and economic (OECD) principles. Both CSR policies can be understood as codes of conduct for business. The OECD Guidelines for MNEs are mainly limited to principles for the management of business, e.g. how to organise an accountable business structure, risk management or legal compliance.

The GC represents both a global public policy network and a practical framework for companies in the areas of human rights, labour, the environment, and anti-corruption. Unlike other standards, the GC does not measure the social responsibility of companies; it functions as a platform that brings a variety of different actors together to discuss and advance its underlying principles (Ruggie, 2001, 2002). The GC, moreover, can be described as “largely top-down attempt to generate a hybrid, voluntary system of engaging TNCs in socially and environmentally practices” (Knight & Smith, 2008: 194). GC guidelines are not binding for corporations; they focus on good practices but only punish corporate malpractice with the exclusion from membership. Hence, the GC can be categorised under the group of global initiatives that fill the gap created by the weakness of legally enforceable global regulation, i.e., by promoting voluntarism in the face of neo-liberalism (cf. Deva, 2006). What impact the three automobile companies’ membership in the GC has on South Africa must, therefore, be critically assessed.

GC membership proceeds according to the leadership principle, i.e., membership of the parent company automatically results in the membership of its subsidiaries (<http://www.unglobalcompact.org>). Accordingly, BMW SA, MBSA and VWSA are members of the GC via their parent companies. The ten GC principles comprise basic CSR principles that apply to the three German car manufacturers’ business activities worldwide. Being a member of the GC has become a matter of course for leading TNCs. Complying with the GC guidelines is not an obstacle for any of the three automobile companies; the GC guidelines represent minimum standards, like support for basic human rights, eliminating forced and child labour, undertaking initiatives to promote greater environmental responsibility and working against corruption (<http://www.unglobalcompact.org>). Heger (2008: 3), for example, argues that the “Global Compact’s principles serve as the basis of [Daimler’s] internal regulations as well as the principles leading [the company’s] external actions.”

6.2.2 Global Environmental Pressures on the Rise

Environmental movements as representatives of global civil society, especially in Germany, have considerable leverage on the three German automobile companies. The three parent companies have come under severe criticism with regard to their social and environmental performance. This criticism refers more to the products than to the mode of production and to new forms of employment rather than to current employment practices.

With reference to the environment, critics argue that German cars consume too much fuel and produce high CO₂ emissions. According to Scheer³² (in “Modellpolitik”, 2005), the German automobile industry has, to date, not seized the opportunity to develop more environmentally friendly and fuel efficient cars. In view of this criticism, automobile companies have been talking about eco-efficiency for quite some time, but instead of developing cheaper, more environmentally friendly cars with lower fuel consumption, they continue to answer to the increasing global demand for highly sophisticated cars with powerful engines. Consequently, automobile companies are confronted with a contradiction – the more they try to satisfy their customers, the more they reinforce the destruction of nature (Nakamura, cited in Liebehenschel, 1999).

CSR can, in this respect, be seen as having failed thus far. According to Liebehenschel (1999), regulative interventions usually lead to new standards with regard to exhaust purification and the recoverability and recyclability of vehicles, rather than voluntary initiatives. Moreover, an environmental organisation, not an automobile company, pioneered the so-called 3-liter-car (ibid.). The three corporations examined here did not appear in a positive light when their CEOs Reithofer (BMW), Zetsche (Daimler), and Winterkorn (Volkswagen) recently jointly lobbied against the European Commission’s plan to establish a limit of an average value of 120 grams of CO₂ for every driven kilometre (Jungmann, 2007).

Nevertheless, as already mentioned, a more ethical and environmentally conscious consumerism is currently emerging at the global level. Hence, Liebehenschel (1999) has called for a rethinking of corporations’ business strategies. The development of innovative solutions, in particular, may take time, which is also a reason why all three companies’ CSR can be considered as having partially failed, since they only began to acknowledge eco-

³² Hermann Scheer is an energy expert from the Social Democrat Party (SPD). He is a member of the German parliament, holds the presidency of EUROSOLAR (the European Association for Renewable Energy) and is the chairman of the World Council for Renewable Energy.

efficiency as a decisive factor of consumer behaviour at a very late stage (ibid.). Consequently, Berguis (2008) argues that CSR has not yet been integrated into the automobile companies' core business and their strategic management across the board. For her (2008: 1), "it is simply not 'strategic' if German carmakers have a 'clean' manufacturing process but their cars pump out vast quantities of greenhouse gas emissions."

6.3 The Interplay between South Africa's CSR Framework and the Automotive Sector

In the mid-1990s, a study by the World Economic Forum exposed South Africa's poor productivity values (Knemeyer, 2001). Furthermore, the South African market with less than 200,000 new vehicle registrations per annum in 2000 was not particularly attractive for automobile manufacturers (ibid.). Therefore, the German automobile manufacturers began modernising their factories, cut their product range to only include specific models, and refocused their sales on exports. This was supported by the new South African government with the Motor Industry Development Programme (MIDP) introduced in 1995.

"The programme is aimed at making the South African automotive sector internationally competitive through phased global integration, increasing the volume and scale of local production, expanding exports, and modernising and upgrading the industry" (osec, 2009: 2).

Free trade agreements like the U.S. government's African Growth and Opportunity Act or between the European Union and SADC together with the MIDP, which includes several tax incentives, have supported the growth of a more proficient automobile sector in South Africa. Since the implementation of the MIDP, the South African automotive sector has expanded to become the leading manufacturing sector in the country's economy. Import tariffs were reduced from 120 to 18 percent, for example, and for every exported vehicle, companies now receive import credits (Knemeyer, 2001). Additional aspects make South Africa favourable for automobile companies, like its well-developed infrastructure, strong business values, and good location close to the sea, as well as its gateway to the African market. The South African subsidiaries, however, face strong international competition, particularly from South East Asia, with its high-productivity/low-wage relation (Lamprecht, 2006). The subsidiaries are also affected by the recent financial crisis, which has exposed the automotive sector's primary problems, including overcapacity, a global price war, and a general inability to return its cost of capital (cf. ibid., 2006).

According to Phillips (2002: 49), “workers are being exposed to greater work pressures through the higher quality focus (no room for errors) and the push for higher volumes.” With the introduction of new best operating practices, just-in-time production, state-of-the-art equipment, skills upgrading, productivity gains, and an improvement of the whole automotive value chain, South African automobile companies have been able to increase their exports and strengthen their competitive position within the MWS (cf. Lamprecht, 2006).

With their focus on exports, all three case companies are highly dependent on the world market. If global demand decreases, their plants could potentially be shut down. Furthermore, all three factories face considerable competition within their Groups. The affiliate companies have to regularly renew their contracts with their parent company, when the production of a new series has been decided (Venter, 2007). Thus, the South African subsidiaries’ competitiveness is exposed to a continuous benchmarking process.

During the 1990s, according to Bezuidenhout et al. (2007: 20-21), “major corporations became involved in shaping the contours of the future state”, whereby they generally advocated greater reliance on a free market instead of an interventionist state. In contrast to corporations’ fears, the ANC government has actually complied with the demands of business. Bezuidenhout et al. (2007), furthermore, argue that in 1996, big corporations already “had established [...] hegemony in the realm of macroeconomic, industrial and labour market policy” that became visible in the *Growth, Employment and Redistribution* programme (GEAR). GEAR resulted from a close co-operation of the government and South Africa’s major businesses “on which no public debate was entertained” (Bezuidenhout et al., 2007: 23), and symbolises the new South African state’s commitment to the market economy (Bauer & Taylor, 2005).

In its commitment to the market economy, the South African government was an early promoter of CSR (Visser, 2005). The progressive attitude of South Africa’s government towards CSR was emphasised by the introduction of the so-called King Report. Already in 1992, the *Institute of Directors* in South Africa (IoD) formed the King Committee which published the King Report on Corporate Governance in South Africa in 1994, also known as King I. King I incorporated a code of corporate practice and conduct that called on corporations to include all stakeholders in their business considerations. It symbolises the first attempt by an African nation to define guidelines for corporations that include issues like compliance, sustainability, responsibility, and accountability. With the updated version of the

King Report in 2002 (King II), the IoD introduced sustainability reporting (Visser, 2005). The adoption of the King II guidelines still remains voluntary as it has not been ratified. However, adherence to King II has become a listing requirement for the Johannesburg Securities Exchange.

6.3.1 Broad-Based Black Economic Empowerment (BBBEE)

Another major South African programme is the Black Economic Empowerment (BEE). BEE has had a crucial impact on the South African business environment (Bezuidenhout et al., 2007). It was established to improve the economic conditions of the previously disadvantaged black population and requires companies to support black people in attaining management and ownership positions in the formal economy (ibid.). Ninety-two percent of the large companies active in the South African market implement a BEE compliance strategy (KPMG, 2007). “BEE constitutes a major driver among South African businesses” (Hönke et al., 2008: 14), and its uniqueness at international level makes it of special importance for CSR generally.

In contrast to other programmes in which corporate commitment is voluntary, BEE has been signed into law. The Broad-Based BEE Act of 2004 provides a legislative framework to promote BEE, issue codes of practice, and publishes transformation charters (Freemantle & Rockey, 2004). Whereas narrow-based BEE measures focused only on equity ownership and management representation, BBBEE promotes the distribution of wealth across a broader spectrum of the South African society. The BBBEE Act provides the establishment of a BEE Advisory Council, empowers the Minister of Trade and Industry to issue codes of good practice on BEE, “including a scorecard to measure achievement, and to promote sector-specific BEE Charters that are deemed to be in accordance with the objectives of the Act” (Hanks et al., 2008: 11).

It is mandatory for a South African company to document its improvements with reference to BBBEE, which is measured by seven pillars. These include equity ownership, management, employment equity, skills development, preferential procurement, enterprise development, and socio-economic development. Good results on the BEE scorecard are a requirement for business contracts within South Africa’s public sector. Various other legislations support the BBBEE effort, e.g. the *Skills Development Act No. 97* of 1998 which requires companies to contribute a percentage of their total payroll to the *National Skills Fund* (ibid.). Accordingly,

employment equity at BMW SA, MBSA and VWSA is not a form of voluntary commitment but a requirement for pursuing business in South Africa.

6.3.2 Weak Governance and its Effects on Economy and Society

Even if the South African government has developed far-reaching programmes and introduced legislation with regard to the economic sector, Hönke et al. (2008: 13) assert that the main weaknesses of the South African state are “in its limited capacity to effectively regulate its territory in certain policy fields, in particular in the field of environmental regulation and the combat of crime.” In their view, this weakness is attributable to “confusing, complex and sometimes contradictory arrangements of institutions at the national, provincial and local levels”, where responsibilities are often unclear and a “limited administrative capacity” results in the loss of experienced staff and budgetary support. Accordingly, companies’ compliance with the legislation may be lacking because enforcement is weak.

In some instances, an absence of governmental – corporate initiatives is the result of a lack of governance capabilities. Hönke et al. (2008) refer to the bi-partite partnership of the Rosslyn industry cluster (including BMW, Nissan, Ford or SAB, for example) with local government. The partnership founded a “waste club” and a “cleaner production club” and intended to assist the administration in Pretoria to draft and implement higher environmental standards (ibid.). But this partnership attempt failed because local “authorities did not participate and showed very little interest” (ibid., 2008: 26). According to Hönke et al. (2008: 26), this is typical within the industry; the interviews conducted for their study revealed that “the main obstacle for further involvement in fostering attempts is according to many automotive managers that government is simply too weak, incompetent and disinterested in the field of environmental policy.”

Moreover, South Africa continues to face substantial social problems. Even if progress has been made in many areas, the legacy of inequality runs deep. According to Seekings (2007), income poverty has actually worsened since the end of apartheid in 1994 and brings with it the problem of illiteracy, street children, and homelessness. Bauer and Taylor (2005) contend that 76 percent of South African households are below the poverty line. In line with Chua’s (2003) theory of market-dominant minorities, South Africa continues to represent a situation in which the white community still dominates the economy (now together with a small black

elite), while the majority continues to live in poverty. Chua (2003: 97) points out that “77 percent of” South Africa’s population is black and 11 percent is white”, but that “whites still own 80 percent of South Africa’s land and account for 90 percent of the country’s commercial agricultural production.” She furthermore underlines that 48 percent of the black population is unemployed, 65 percent live in “abject” poverty, and 88 percent have less than a high school education. At the same time, “almost all of South Africa’s mines, banks, and major corporations remain in white hands” (Chua, 2003: 100).

Bauer and Taylor (2005) maintain that South Africa is one of the most unequal societies worldwide in terms not only of distribution of wealth, but also with reference to industry and landownership. “South Africa remains a polarized society, in which the fault lines of race, class and sector run deep” (Smith, 2007). In 2003, 73.6 percent of blacks “saw whites as having profited and continuing to profit from apartheid. [...] Blacks find themselves increasingly desperate, and as some surveys indicate, disillusioned with ANC and democracy and perhaps turning to crime” (Bauer & Taylor, 2005: 272). Crime is a major social problem in South Africa, with the country’s crime level being one of the highest worldwide, especially with respect to violent crime (Schönteich, 2000).

Another major problem in South Africa that exceeds the global average is HIV/AIDS. 11.4 percent of the South African population (4 million out of a population of 44 million) over the age of two, and over 24 percent of the workforce are infected (Fig, 2005). Because of South Africa’s immense social problems, CSR is dedicated foremost to dealing with these issues, and has, therefore, often neglected environmental concerns (cf. Hönke et al., 2008). Large foreign companies with production in South Africa have offered to cooperate in the tackling of the country’s most prevalent challenges (Utting, 2007).

6.3.3 The Characteristics of South African Civil Society

The considerable social problems and partly weak governance structures call for multi-stakeholder approaches and public-private partnerships (cf. Utting, 2005). Even if South Africa lacks a comprehensive and strong network of civil society organisations like in Europe or North America, according to Bauer and Taylor (2005: 264), there exists “a sophisticated [...] activist nongovernmental organizations (NGOs), and a historically powerful labour movement.” Hönke et al. (2008: 12) acknowledge South Africa’s very active and effective

activist community that “employs a number of different strategies, such as lobbying, campaigning, capacity-building and increasingly litigation to point to corporate malpractice”. Bezuidenhout et al. (2007) also point out many examples in which NGOs have successfully pressured corporations to realise certain social and environmental improvements.

Civil society groups have, furthermore, been an important force in establishing multi-stakeholder initiatives with other groups, such as community-based organisations and trade unions (Lundt-Thomson, 2005). Especially the National Union of Metal Workers of South Africa (NUMSA) has been strong with regard to the three case companies and continuously pressures them by threatening with strikes. In the South African automobile industry between 1995 and 1998, as well as in 2000, salary agreements would not have been achieved without strikes (Ntuli³³ cited in “Thousands”, 2001).

Apparently, South African consumers have become more aware of CSR. A study conducted by the Centre for Corporate Citizenship at Unisa revealed that more than 50 percent took a company’s reputation into consideration before making a decision to buy from them (“It pays to be Good”, 2006). Another finding of the research was that 47.4 percent of South African consumers are prepared to pay more for goods or services from companies they regard as being good corporate citizens (ibid.).

Regarding the three case subsidiary companies, however, civil society involvement on a national level seems virtually absent.

6.4 Summary

This chapter has presented the global pressures the three case companies’ CSR strategies have come under. An analysis of the CSR understanding of the leading corporate managers shows that all three companies take a holistic approach to CSR. CSR is perceived as a business response to the developments of global modern capitalism. Thereby, the business representatives acknowledge the need for comprehensive CSR and cite sustainability as being the most important business concept.

³³ Dumisa Ntuli was the spokeswoman of the National Union of Metalworkers of South Africa (NUMSA).

Considerable pressure is applied to the Group companies by the parent company that is in charge of determining the CSR guidelines in South Africa. The parent companies' roots in stakeholder capitalism, their ownership structures and the product seem to favour a long-term business orientation. Yet with the developments of late capitalism, pressure on competitiveness at the three subsidiary companies has grown. At the same time, CSR has received increasing attention by BMW, Daimler and VW leaders. Corporate representatives argue that sustainability has become their major overall business strategy. CSR is mainly delegated in form of standardised norms, guidelines and best practice examples. It thus has resulted in an extension of the Group's management to include social and environmental issues.

Global civil society has criticised the companies' involvement in the apartheid system, corporate transparency and the environmental record of the vehicles manufactured by BMW, Daimler and VW. Most global initiatives involving South African CSR refer to voluntary forums and guidelines. These guidelines do not illustrate a manifestation of the global CSR approach; they rather provide a platform where companies can promote social and environmental activities.

The South African perspective reveals that the three subsidiary corporations must acknowledge far-reaching employee equity regulations and are obliged to make a contribution to social community projects. Local governments have shown their disinterest or incapability of fostering social or environmental initiatives. National governance is lacking, especially with regard to environmental policies. Furthermore, South Africa has enormous social and economic problems that must have an impact on the three case companies as nationally esteemed corporate citizens.

Chapter 7 BMW SA, MBSA and VWSA's Responses to Global and National Pressures

7.1 CSR Understanding at BMW SA, MBSA and VWSA

The South African affiliates adhere to their parent companies' CSR approach. Thus, they acknowledge both a holistic approach to CSR and the profit motive. All four company representatives, Langa (07/09/2009), Letlape (20/08/2009), Buys (02/09/2009) and Nonkqubela (27/08/2009), agree that CSR can be defined as *taking proper account of the broader interests of society when making business decisions* (2.1). Thereby, they all argue that a comprehensive CSR strategy must strengthen stakeholder dialogue (including the dialogue with policy makers), include supplier responsibility, and the production of environmentally friendly products. The South African affiliates' CSR managers, furthermore, acknowledge that CSR must ultimately lead to economic success. They perceive CSR as *giving their company a distinctive position in the market* (1.2).

On the other hand, BMW SA, MBSA and VWSA are aware of their special responsibility to the South African market. According to the homepage, BMW's CSR commitment in South Africa is divided into *Social Investment, HIV/AIDS, Sustainable Mobility and Employment Equity*. This implies that BMW SA makes a clear-cut distinction in some CSR areas with a comprehensive sustainability strategy that is valid for the entire BMW Group, and country-specific CSR measures that meet the country's social and environmental challenges. This approach is also reflected in Esther Langa's responses in the questionnaire (07/09/09). Langa admits that CSR gives BMW a distinctive position in the market, but that it is not a prerequisite for conducting business. Accordingly, CSR does not represent a core business strategy but is more of a communication strategy that aims to distinguish BMW from its competitors. In contrast to the recently implemented *sustainability strategy* of the BMW Group, Langa does not believe that having a distinct CSR policy benefits the decision-making process that, in turn, is better for the business in the long term. For her, CSR can be defined as *taking proper account of the broader interests of society when making business decisions* (07/09/09: 2.1).

The CSR understanding of BMW SA shows parallels to that of Mercedes-Benz in South Africa. MBSA is also aware of South Africa's specificities while promoting and implementing Daimler's global CSR guidelines. The CSR section of the MBSA homepage bears the heading *Sustainable Development*, while MBSA's CSR programme allegedly addresses South Africa's "socio-economic imbalances [...] through [...] social investment initiatives" (<http://www.mercedes-benzsa.co.za>).

In contrast to BMW SA and MBSA, VWSA presents its CSR strategy on its South African Website under the heading *Corporate Citizenship*. Community investment seems to have a higher importance for VWSA than for the two other automobile companies. Maliza Nonkqubela (27/08/09) emphasises the significance of community investment at VWSA, arguing that CSR can be defined as *supporting initiatives that directly benefit society but do not directly benefit shareholders* (2.6). This, interestingly, does not estimate CSR as being a profit-driven strategy. Yet Nonkqubela is also the only respondent who understands CSR as a tool to improve relations between the company and regulators and lawmakers.

It can be argued that at all three subsidiaries' CSR strategies focus on *ethical* and *philanthropic* responsibilities. Thereby, all three companies' CSR allegedly respond to South Africa's BEEs legislation. According to the interviews of the four corporate representatives, CSR is understood in terms of community development, workplace enhancement, healthcare improvement and even reparation. All three subsidiary companies present themselves foremost as *good corporate citizens*. Whereas the affiliates claim that they take a comprehensive approach to CSR and implement sustainability as a core strategy, it remains unclear how effectively they actually apply their CSR understanding. Especially in CSR reports, on homepages and in interviews, corporate representatives always try to present their companies in the best light possible. That is why the framework of the companies' CSR and their CSR activities must be critically assessed, which issues have been integrated into their CSR strategy and whether the CSR strategies actually meet sustainability and accountability criteria.

7.2 The Implementation of CSR at BMW SA, MBSA and VWSA – How Far Does it Go?

Whereas the parent companies determine the overall CSR strategy and deliver the guidelines for its realisation, the subsidiaries are in charge of implementing them. Accordingly, the CSR strategies of BMW SA, MBSA and VWSA are highly dependent on the guidelines formulated by headquarters. CSR issues are integrated into the top management at the three subsidiaries. At BMW SA, for example, the accountability for maintaining and developing social and environmental standards is assigned to the top management at the Rosslyn plant, while responsibilities are delegated to the operational level (cf. BMW SA, 2006). The South African subsidiary, furthermore, employs a director for governmental affairs and a manager for corporate social investment, who are responsible for BMW SA's stakeholder management. Whereas the overall sustainability strategy, methods of production, environmental and social standards are mainly dictated by the German headquarters, BMW SA's CSR focuses more on the local and national environment and specific South African challenges, like health management and BEE (cf. BMW, 2009).

CSR issues which are dealt with directly at MBSA are headed by the executive director of corporate affairs. Together with two other executive directors (finance and human resources), the manager of corporate affairs belongs to the highest ranks within MBSA, with only the CEO taking a higher position. Accordingly, CSR at MBSA has a prominent place within its management. The manager of corporate affairs is in charge of the CSR guidelines.

The organisation of CSR at VW South Africa has many parallels with BMW SA's and MBSA's. The executive director of corporate and government affairs manages CSR and answers directly to the CEO of VWSA. VWSA signalled its commitment to CSR by appointing a black female to this position in September 2006. She is responsible for the relations between VWSA and the South African government, initiates VWSA's CSI projects, and chairs the *VW Community Trust*. With regard to environmental issues, VWSA employs a representative for environmental protection who regularly reports to the VW Group's environmental protection officer. Other technical-related CSR issues at VWSA are not chaired by the director of corporate and government affairs, but by the respective department directors who are headed by VWSA's CEO.

Considering that all three companies adapted a more comprehensive sustainability strategy in 2007-2008, it seems that the strategic implementation of CSR is still at an early stage, especially as regards the implementation of the new sustainability strategy at the South African plants. Section 7 of the questionnaire focused on the CSR activities at BMW SA, MBSA, and VWSA. Christian Thauer (09/09/09), Tina Buys (02/09/09), and Maliza Nonkqubela (27/08/09) argue that one of the main activities their corporation(s) ought to address is the *full embedment of CSR issues into strategy and operations (e.g. management, communications, product development)* (7.1). All three, moreover, see a need for the board to reinforce the debate and act on these issues (7.3). Buys underlines the need to embed CSR strategy into the broader framework (e.g. global and national standards) (7.7). Esther Langa (07/09/09) is the only one who acknowledges the need to fully embed the sustainability strategy of the Group into the strategies and operations of BMW SA (7.5).

The evaluation of Chapter 7 reveals that the external CSR expert and most of the company representatives acknowledge that CSR organisation at the subsidiaries is not yet comprehensive enough; there are still issues that have to be tackled and improved. This reveals that the allegedly holistic sustainability strategy of the parent companies is not yet a reality. All three South African affiliate companies demonstrate that they take the issue of comprehensive CSR implementation seriously. They have already appointed a CSR representative in a high position; but there is no clear distinction between an overall CSR strategy and various social and environmental issues. The South African CSR managers head Public Affairs or Communications departments while organising community projects or communication events, but they are not responsible for environmental issues. Thus, the case companies lack a separate CSR strategy board that can control the full range of CSR measures. In sum, there still is much room for further CSR centralisation and improvement. According to the South African – German Chamber of Commerce and Industry (AHK), “the development of CSR in South Africa by German companies is still at its beginnings. But indicators show that this topic will gain more importance in the near future and the foundation has been laid” (AHK, 2008: 8).

7.2.1 Lack of Transparency

Aside from BMW SA’s *Safety, Health & Environmental Status Report* 2004/05 and the *CSR 006/07* report by MBSA, no other CSR-related report has been published by the South

African subsidiaries. Even if all three companies' CSR reports have nearly achieved the highest possible standard with reference to GRI, usable information about CSR activities in South Africa are still uncommon and vague. Freemantle and Rockey (2004: 210) acknowledge that the GRI's "recommended generic indicators have limitations when addressing issues peculiar to" South Africa. Neither of the CSR reports provides an overview of CSR organisation in South Africa. The reports, furthermore, do not include detailed information about how the concept of sustainability is transferred to the subsidiaries (except in the areas of risk and compliance management).

The deficits in CSR reporting were not acknowledged by the interviewees. Except for Lulu Letlape (20/08/09), who argues that transparency has to be strengthened in future to manage socio-political issues (10.10), none of the respondents expressed the need to publish a CSR report on the South African subsidiary's efforts or to increase transparency in order to strengthen CSR. Accountability, however, represents a major target for further CSR development at BMW SA, MBSA and VWSA. CSR must include reporting on implementation issues including architecture, management, building and maintenance (cf. Lindgreen et al. 2008). Whereas all three parent corporations provide comprehensive information about their organisation of CSR (mainly within their CSR reports), detailed information about the organisation of CSR at the South African subsidiaries is limited.

7.3 CSR Agendas – Differences and Similarities

Table 2 provides an overview of the issues to be included in a comprehensive CSR strategy, as defined by the four corporate interview partners. The green boxes designate those issues that have been rated as important CSR issues by the respondents; the red boxes designate those issues that were not considered important. The coloured differentiation makes visible what the previous chapters have already indicated, namely that the South African subsidiary companies view social problems as being much more important than environmental ones (in contrast to their parent companies) and especially in comparison to the issue of weak governance. It furthermore reveals that the previously described unity with regard to CSR understanding and the realisation between the three companies does not exist. Although they work at the same company, Letlape and Buys rate CSR issues quite differently.

	Langa (BMW SA)	Letlape (MBSA)	Buys (MBSA)	Nonkqubela (VWSA)
Social Problems				
Education				
Public health issues				
Inequality				
Poverty				
Crime				
Workplace atmosphere				
Environmental Problems				
Global warming				
Pollution				
Resource scarcities				
Weak States				
Strengthening the national political system				
Improving effective global governance				
Equal dialogue and co-operation	civil society	civil society, national government	civil society, global, national and local government	civil society, national and local government

Table 1: CSR issues and their appreciation by corporate representatives (Chapter 6).

Nevertheless, it is striking that all four company representatives rate education, public health issues, and workplace atmosphere as important topics that have to be included in a comprehensive CSR strategy. Only Langa acknowledges South Africa's most pressing problem (inequality) as being important for BMW's CSR strategy. A further result of the questionnaire analysis is that environmental problems like global warming and pollution that motor vehicles significantly contribute to, are only considered decisive for a comprehensive CSR strategy by Langa and Buys (in the case of global warming) and by Buys and Nonkqubela (in the case of pollution). The recently appointed executive director at MBSA, Letlape, does not acknowledge any of the most pressing environmental problems as being important for MBSA's CSR strategy.

The link between CSR and good and supportive government relations seems to not yet play a role in the companies' CSR management. Except for Buys who acknowledges the significance of improving effective global governance, the others do not see any relation between comprehensive CSR and a strengthening of the national political system. However, all respondents acknowledge that their CSR strategies should include an equal dialogue with civil society. Whereas the BMW representative, Langa, does not see any connection between

CSR and the improvement of governance capabilities, Letlape, Buys, and Nonkqubela at least rate an equal dialogue and cooperation with the South African government as being important. Buys and Nonkqubela furthermore also include local government authorities in their list.

An evaluation of section 9 of the questionnaire that asked the respondents to rate those socio-economic issues that are *most critical for the future success of business* reveals a similar picture to that of the CSR agenda-setting at all three case companies. The ratings of the corporate representatives contradict Thauer's. Whereas Thauer (09/09/09) rates the educational system and talent constraints (9.1), poor public governance (9.6), the security of energy supply (9.9), and the demand for healthier and safer products as being the most important issues that BMW SA, MBSA, and VWSA ought to address, the corporate CSR representatives only unanimously agree that the educational system and talent constraints are of significance. Both MBSA representatives rate poor public governance as being an important issue for Daimler's future success in South Africa. Nevertheless, this comparison reveals again that a regular and good dialogue with the South African government is not a primary aim of the subsidiaries' CSR strategy. It also indicates that such a dialogue does not require any improvement in future (except for MBSA).

Public health concerns are rated quite high and directly follow the need for education. Even though the respondents differ to a great extent in terms of which social and environmental issues are most important for their future business success, they all agree that the demand for healthier and safer products will not play a decisive role for the future success of their companies. This again underscores the already stated assumption that the three subsidiary automobile companies neglect their products' environmental responsibility.

In sum, the previous section shows that there is a slight difference in the understanding of South African CSR representatives and the overall sustainability strategy of the parent companies. An evaluation of sections 6 and 9 of the questionnaire reveals that the three South African automobile OEMs' CSR representatives rate direct workplace related issues as most important for their CSR. But they do not agree about whether their companies should tackle South Africa's most prevalent problems like poverty and inequality, except for HIV/AIDS. However, HIV/AIDS is also a workplace related issue. Interestingly, the CSR representatives are more similar in their answers that environmental and governmental issues are not of primary concern for their CSR strategies. Especially the low ranking of environmental

impacts on CSR illustrates a difference to the CSR understanding at the parent companies. The following section will examine in more detail how the three case companies implement their approach to CSR.

7.4 The Extent of CSR Programmes

BMW SA, MBSA and VWSA all employ various CSR initiatives to respond to social and environmental challenges. Examining these initiatives in detail would go beyond the scope of this study. Therefore, only an overview of all recent internal and external CSR projects is mentioned here (Appendices 1 to 4). Appendix 1 evaluates actual internal CSR programmes and includes the issues education, healthcare, and environment. Appendices 2 to 4 provide an overview of recent external CSR projects pursued by the three OEMs. The projects are categorised into projects that refer to education, healthcare, crime, sports, community development, environmental, and political issues. All projects listed have been defined as CSR projects by the three companies.

It is striking that all three companies together cite 74 different CSR projects.³⁴ The majority of internal and external CSR projects combined address education (23 CSR projects), followed by health programmes (17), and various community development initiatives (16). The issues crime, environment, and politics are comparatively underrepresented. There are four CSR projects that address environmental issues, whereby it must be noted that BMW SA's Schools Environmental Education Development project (SEED), for example, is quite far-reaching.

Internally, CSR projects mainly contribute to education and health initiatives. Thereby, professional training and HIV/AIDS are of greatest importance. Even if both activities relate to BBBEE, they are closely connected to the business process. Further education is of particular significance for all three companies in order to improve employees' skills and knowledge. Skills development has been recognised as being key to keeping up with the fast pace of globalisation (IMF, 2007). The three subsidiaries offer training possibilities for unskilled and semi-skilled workers (basic education), for future managers, graduates, and even for their employees' children. The high prevalence of HIV/AIDS in South Africa has considerable impacts on businesses. The epidemic has affected high skilled workers, as well as the poor (Hanks et al., 2008). The treatment of HIV/AIDS has a prominent place at all

³⁴ This figure does not include any memberships like MBSA's membership in the Chamber of Commerce and Business.

three companies which delivers further insights into their CSR strategy. Hence, the management of HIV/AIDS will be examined in more detail. It is noteworthy that MBSA's and VWSA's extension of their health care management now includes the identification of diseases like tuberculosis.

The evaluation of CSR projects underscores the finding that all three South African subsidiary companies perceive external CSR as being mainly good corporate citizenship, and place a special emphasis on community development. Thereby, they accentuate the issues education, health and sports and implement a large number of community development projects. Educational CSR programmes are primarily aimed at sponsorships and bursaries. One education programme, for example, granted € 630,000 (R 7 million) to the Nelson Mandela Metropolitan University. This investment in a public educational institution illustrates that companies are facing the widespread problem of qualified labour shortages, even if they cannot expect all graduates to work for them afterwards.

It is also worth mentioning that all three vehicle companies support a large variety of community development programmes. These programmes often tackle issues that do not have a strong impact on the companies but are beneficial to South African society. Community developmental projects primarily aim to protect South Africa's most vulnerable citizens, e.g. the homeless, HIV/AIDS infected children, disabled persons, or raped women. Out of the 74 CSR projects, almost half can be categorised as philanthropic initiatives because they do not first and foremost aim to benefit their own businesses. A lot of these initiatives are not even used for advertisement purposes. Especially MBSA and VWSA are philanthropically active, VWSA mainly via its Volkswagen Community Trust. Nevertheless, most philanthropic CSR initiatives are located close to the companies' locations to generate at least a little higher business impact.

Crime has been less of a CSR topic. Only MBSA and VWSA acknowledge crime as a CSR issue by funding the national *Business Against Crime* initiative. MBSA is furthermore a member of the Crime Reporting Boards. Crime is an important national issue but it does not seem to be one of particular interest for the three corporations.

One important reason for the large number of philanthropic initiatives is furthermore BBBEE. Hönke et al. (2008) assert that corporate spending for charitable projects has increased significantly since the introduction of BEE legislation. In order to maintain their licence to

operate, companies are required to make a contribution of one percent of their annual revenues to communities located in close proximity to the company and to transfer part of their capital to black-owned businesses. All three companies seem to be making efforts to meet the targets of BBBEE. Their BBBEE strategies can be considered part of their CSR strategies, since they address one of South Africa's most prevalent social issues. But criticism has already been voiced by the NBI (2009: 1) which is concerned that the emphasis on point-scoring may divert attention from meeting the "real goals, such as generating a competitive supply chain that is relevant to a company's market and enables the company to grow its market-share." This implies that companies could try to evade far-reaching BBBEE compliance. The BBBEE strategy furthermore lacks critical comparisons about how far and how successful the three subsidiary companies are in terms of affirmative action.

Yet it cannot be argued that the large number of voluntary community projects contradicts the profit motive. Whereas many of the so-called CSR projects are simply sponsoring and marketing activities (e.g. VWSA's engagement at the Bay United football club or MBSA's donations to the South African Paralympic Team) CSR projects all have a tax incentive. The South African Income Tax Act No. 58 of 1962, for example, provides economic *incentives* and several tax reliefs through depreciation allowance for R&D, employee housing, urban development and infrastructure development, or public private partnerships. Furthermore, donations underlay a tax of 20 percent, much lower than the general tax for foreign companies, which is at 33 percent. Donations for public-benefit organisations are furthermore exempt from tax altogether (<http://www.sars.gov.za>).

7.4.1 Using CSR to Tackle HIV/AIDS

The HIV/AIDS engagement of all three subsidiary companies has raised global attention and belongs to the most comprehensive business initiative worldwide that tackle the pandemic (cf. Feeley et al. 2009). MBSA was one of the first companies to respond to the HIV/AIDS pandemic with a workplace policy in 1991 (<http://www.mercedes-benzsa.co.za>). BMW SA, MBSA and VWSA adopted more strategic and very similar HIV/AIDS management systems at the beginning of the new millennium. The development of MBSA's HIV/AIDS strategy provides a good example of how these companies are tackling this problem and provides further insights into the evaluation of the impacts of the three subsidiary companies' CSR.

DaimlerChrysler SA's (DCSA) initial position in the 1990s with respect to HIV/AIDS was threefold. First, DCSA experienced the most dramatic increase in HIV rates among its own workforce between 1993 and 1998 and had to acknowledge that the CSR policy it implemented with regard to HIV/AIDS in 1991 had not been successful. "It became obvious by 1999/2000 that a significant proportion of the [...] the workforce had been or would be infected and subsequently die" (Seitz et al., 2002: 5). Secondly, the South African government's incapacity to effectively manage the problem of HIV/AIDS led to considerable gaps in governance. According to Schuklenk³⁵ "business would not need to be involved so intensively, if government policy were adequate" (cited in Seitz, 2002: 12). Thirdly, CSOs and NGOs were also not capable of successfully addressing the HIV/AIDS problem. In other words, DCSA was not triggered by pressure from NGOs or community organisations (ibid.).

From the onset, MBSA's CSR towards HIV/AIDS has been predominantly a business issue. In an interview, Evertse (2008) argued that it has always been a priority of MBSA's CSR HIV/AIDS activities to "make sure that the beneficiaries are also involved." The GBC claims to have three major effects on the profit making process with reference to HIV/AIDS: Increased costs, loss of productivity, and a general threat to the basic structure of the economies in which companies operate (<http://www.gbcimpact.org>). According to Seitz et al. (2002), the costs of all new infections at DCSA in 2001 were estimated at € 840000 (R 9.34 million). For the period from 2001 to 2011, the total present value of all expected HIV infections was estimated at about € 6.3 million (R 70 million). Given the budget of € 540,000 (R 6 million) over three years, "the project would pay for itself, if it leads to the avoidance of 21 new HIV infections" (ibid., 2002: 16). These figures demonstrate why MBSA began tackling the HIV/AIDS problem more progressively and strategically in 2001.

MBSA's HIV/AIDS strategy focuses almost exclusively on its employees and their families. The main goals of MBSA's HIV/AIDS workplace programme are to prevent new infections in the workforce and among employees' dependents, and to provide health care for those living with the disease (Seitz et al., 2002). Consequently, MBSA provides educational work, promotes and distributes condoms, and offers voluntary counselling and testing. The company furthermore requires employees to participate in a corporate health plan and ensures a *Highly Active Anti-Retroviral Treatment* for infected employees. Each business unit also provides specific health programmes that include general health promotion, health status monitoring, nutritional support, and treatment (WEF, 2002). According to Gething and Fourie (2003), "HIV disability and mortality have been successfully limited in the DCSA workforce." The MBSA workplace

³⁵ Udo Schuklenk is professor of bio-ethics at Wits Medical School, Johannesburg.

project from 2001 to 2003 resulted in no children of MBSA mothers becoming infected with HIV, the incidence of sexually transmitted infections decreased by 50 percent amongst employees utilizing the on-site Occupational Health Services, and HIV/AIDS mortality was reduced by 56 percent (<http://www.mercedes-benzsa.co.za>).

The HIV/AIDS workplace programme is not only supported by MBSA; it is a PPP between the automobile manufacturer and the German Agency for Technical Cooperation (GTZ). That means that MBSA shares the costs for its HIV/AIDS programmes (which increases the profitability of this specific CSR programme), makes use of external management, knowledge, and experience and even admits access to its core CSR management activities. MBSA has also supported VWSA's partnership with GTZ, as well as the development and implementation of VWSA's HIV/AIDS programme, "thus broadening the HIV/AIDS business response and increasing pressure on the South African government" (Seitz et al., 2002: 13).

As already argued, confirming that CSR activities can be an economic success is particularly important in convincing companies to adopt CSR strategies. MBSA's HIV/AIDS strategy undergoes several benchmarking processes. According to Phillips (2002: 48), management at South African satellite factories indicated that "benchmarked performance within the group has become of greater source of performance pressure than factories domestic market performance." Accordingly, MBSA has created a social benefit while also becoming more profitable. This is probably the reason why Daimler has adopted the HIV/AIDS strategy of its affiliate company for the entire Group. In December 2005, Daimler implemented the *Global HIV/AIDS Policy* that offers recommendations on how to effectively combat the epidemic at all Daimler locations and rejects any form of discrimination against those afflicted with the disease (<http://www.gbcimpact.org>). MBSA's HIV/AIDS programme is furthermore valued as a best practice example by the Global Business Coalition. Therefore, the company's workplace management has become a role model for profitable health management within the international business community.

In a subsequent step, MBSA extended its HIV/AIDS in-house activities to the local community located in close proximity to its plant in the Eastern Cape. Launched in 2005, the Siyakhana project is an international benchmark intervention (recognised by the WHO, ILO) that aims to provide small and medium-sized businesses in the region with tangible HIV/AIDS awareness, counselling, testing, treatment, care, and support based on its own experiences. Thereby, MBSA specifically targets local dealers and suppliers, as well as other

small and medium-sized businesses in the Port Elizabeth area (Everts, 2008). The Siyakhana project offers HIV/AIDS services for a nominal annual fee and already includes 17 businesses with over 8,000 employees and their families, and aims to have 67 companies signed-up by the end of 2009 (Davis et al., 2007).

To summarise, MBSA's CSR involvement in HIV/AIDS is an example of a typical *win-win* CSR strategy. MBSA welcomed outside assistance without the ulterior motive of wanting to increase its profit. The company's HIV/AIDS activities demonstrate how a company uses its CSR experiences to help improve conditions in society without gaining a direct business impact. Even if Daimler used the argument that the Siyakhana project helps promote long-term economic stability in its plant's local environment, it cannot expect to receive direct financial rewards for it. Accordingly, MBSA's HIV/AIDS policy is one that has a positive impact not only for the company, but for society as well. Nevertheless, it must be noted that the positive impact for society is fairly limited. MBSA may be able to reduce the impact of the epidemic on its workforce and its operations to some extent, but, according to Seitz et al. (2002: 12), "it is unlikely that the company can 'solve the problem' of a high prevalence rate even within its own facility."

7.4 The Interplay of CSR and Global Governance

Adherence to international CSR guidelines at BMW SA, MBSA and VWSA is similar to that at the German parent companies. All three German automobile manufacturers have adopted German and European CSR policies and aligned themselves with some of the internationally most accepted principles and direct CSR policies in South Africa. Thus the issue of CSR and governance refers to three areas: the role of BMW, MBSA and VWSA's CSR for the global arena, the integration of environmental and social management standards and the role of CSR in the absence of governance.

With regard to public relations, the three parent companies have continuously made use of the three South African CSR initiatives. It seems that the articles in the annual CSR reports on these projects mainly serve the purpose of embellishing the reports. South African CSI projects are usually underpinned with photographs of a group of children and presented as *good will* projects. Yet they rarely include hard figures and comprehensive information. Similarly, the three German automobile corporations use the global Compact to secure a

better reputation. Volkswagen AG, for instance, published a report entitled *Global Compact: Emergence, Future, Responsibility* that depicted its social and environmental activities around the globe with a special focus on CSI in South Africa (cf. VW, 2002). Accordingly, South African CSR has mainly a PR effect on the Groups' overall CSR strategy.

Another global forum that illustrates how TNCs organise local CSR strategies in peripheral and semi-peripheral countries is the Global Business Coalition (GBC). The GBC is a special form of an INGO. It is comprised of major TNCs with the purpose of fighting HIV/AIDS, tuberculosis, and malaria. The former head of UNAIDS, Peter Piot, described GBC as a "new economic development model" (<http://www.gbciimpact.org>). It has a consulting function, raises awareness and knowledge, and is involved in advocacy, communications, networking and agenda setting. Evertse³⁶ (2008) contends that the GBC has provided MBSA with "access to best practice policies and assistance" in terms of its HIV/AIDS involvement in South Africa.

To summarise, all three automobile groups are extensively involved in and acknowledge global CSR forums and policies such as the GC. Thereby, the corporations' South African affiliates are part of their global CSR strategy. CSR in South Africa is part of the companies' GC strategy and situates them within the global CSR community. The GBC actually exemplifies a new step within this development. Here, leading global corporations have joined together to discuss and promote best practices in disease control. This indicates that dealing with social issues in peripheral and semi-peripheral countries has become an important business factor. This helps all three companies improve their ranking in significant financial sustainability indexes. This, in turn, attracts global investors. Yet it seems that most CSR policies and forums do not have any significant influence on the improvement of working conditions and environmental standards; they do, however, guarantee minimal standards and moral concepts at the global level. Commitment to global communities is thus more a marketing strategy. It is doubtful that forums like the GBC really generate progress in the problem-solving process of global social challenges. TNCs may present themselves as good corporate citizens, but do not provide comprehensive information about their internal social management programmes.

³⁶ John Evertse was recently appointed Human Resources Executive Director at MBSA.

7.4.1 Integrated Management Systems (IMS)

Integrated Management Systems have been implemented by all three South African automobile manufacturing plants. These IMSs refer to the standardisation and internationalisation of production processes. While BMW SA, MBSA and VW SA have not adopted the SA 8000³⁷, a universal standard for working conditions at the respective company and its suppliers, their plants have been certified the international environmental management standard ISO 14001. All three are among South Africa's leading companies in terms of environmental pollution control and pollution reduction in their production processes. They all have reduced CO₂ emissions, energy and waste consumption per vehicle produced from 2007 to 2008.³⁸ VWSA, for example, has reduced its daily energy consumption by 10 percent since implementing an energy management programme in 2003, which, according to VWSA, has translated into annual savings of € 110,000 (R1,2 million) (<http://www.vw.co.za>).

Environmental awareness has furthermore improved at all three South African plants through a number of internal campaigns, education measures, and training of employees and management. "The requirements embedded in the internal codes of conduct of these companies are in all cases significantly higher than required by South African legislation" (Hönke et al., 2008: 21). Environmental certification schemes like ISO 14001 can represent a first-mover advantage for a company, at least for a short period until competitors also adopt it (Orsato, 2006). Taking up these standards has not only helped reduce pollution, waste, and resource usage, it also strengthens South Africa's agenda to improve its environmental record nation-wide, while the companies that have adopted environmental standards demonstrate that efficiency advantages and pollution reduction are not mutually exclusive.

7.5 Weak South African Governance – What Consequence for CSR?

Chapter 6.3 has revealed an absence of civil society pressure and the prevalence of governance gaps in the South African economy. That is why BMW SA, MBSA and VWSA

³⁷ SA 8000 is based on labour conventions by the ILO, the Universal Declaration of Human Rights, and the Conventions on the Rights of the Child by the UN. It was the first global standard for CSR, developed in 1997 by an NGO (Freemantle & Rockey, 2004). All three corporations have declared their commitments to all three principles which is probably a reason why they have not signed the SA 8000. Furthermore, South African working standards are already higher than those defined by the SA8000 standard (ibid.). According to Bezuidenhout et al. (2007: 48), the incentive to adopt SA 8000 "seems to be fairly weak, particularly in the context of a fairly progressive framework of labour relations" in South Africa.

³⁸ According to the parent companies' CSR reports (BMW, 2009; VW, 2009; <http://sustainability2009.daimler.com>).

predominantly use associations like the National Association of Automobile Manufacturers of South Africa (NAAMSA), NBI or the Motor Industry Development Council (MIDC) to ensure financial and infrastructural support by the South African government and to discuss trade policy matters instead of seeking a stakeholder dialogue. According to Hönke et al. (2008), the MIDC is not a forum in which environmental issues are addressed; it is rather a platform that “drives the liberalisation process of the automotive industry in South Africa and integrates it into the global market” (ibid., 2008: 25). On the government side, MIDP objectives exclusively address policy dispensation aimed at promoting industry competitiveness in a liberalised environment (Kaggwa et al., 2007). The government’s policies with regard to the automotive industry mainly provide export and investment-based incentives and several duty free allowances for the import of required auto parts.

The National Business Initiative (NBI) established in early 2007, is a focal point for the Global Compact Network in South Africa (<http://www.nbi.org.za>). The NBI is a voluntary group of several businesses and coordinates a number of projects related to CSI, sustainability, and policy formation (Bezuidenhout et al., 2007). BMW SA, MBSA and VWSA are members of the NBI and use it to discuss and develop CSR activities within the South African network of the GC. The NBI has furthermore developed into a major platform for promoting government relations. BMW SA, for example, has supported the *Energy Efficiency Strategy* of the Republic of South Africa, which is a programme developed by the Department of Minerals and Energy to achieve a more energy-efficient economy by reducing energy demand by 12 percent between 2005 and 2015 (DME, 2009). Even though BMW SA is not a signatory of the *Strategy*, it established an Energy Efficiency Committee to support the goal of energy efficiency within the automotive sector (<http://www.nbi.org.za>).

According to Kaggwa et al. (2008: 681), the MIDP’s generic investment incentives have a “significant and positive effect on industry investment, but limited ability to support long-term industry competitiveness” as they do not support innovation development and the implementation of R&D facilities. BMW SA, MBSA, and VWSA do not have a distinct R&D facility in South Africa and are, consequently, less strongly rooted in the country. That is why it can be argued that the affiliate companies are aware of the credible exit threat they can make use of (i.e., that they will move production to another country), and therefore “choose lobbying instead of consultation as mode of interaction with government – which leads to results more in line with their genuine interests” (Hönke et al., 2008: 29). This recently became visible when BMW SA pressured the South African government for subsidies and a

continuation of MIDP to confirm the continuation of production of the new 3 Series at the Rosslyn plant (cf. Venter, 2007).

However, recent initiatives by representatives of the South African automobile sector have shown that the companies also promote higher CO₂ emissions standards. Toyota South Africa's CEO and NAAMSA President Johan Van Zyl publicly argued in favour of the introduction of 5 EUR emissions standards in South Africa by 2012 (Venter, 2008). But here it also seems that the German automobile companies again use a language of threats rather than pursuing equal consultation, with former BMW SA President Ian Robertson admitting that it is a BMW SA policy to "pressure the South African government in order to do more in regard to environmental protection" (cited in Knemeyer, 2001: 2).

Evaluating the answers of section 10 of the questionnaire reveals that Thauer and Nonkqubela contend that industry coalitions have to be strengthened in future to manage socio-political and, hopefully also environmental issues. The two respondents expressed the need to further engage local, national and global political authorities. Langa and Buys, on the other hand, want to continue to lobby regulators and the government instead of strengthening an equal dialogue.

7.6 CSR and the Absence of Environmental Issues

It has already been demonstrated that both environmental issues and governmental relations are of little importance for the CSR strategies of BMW SA, MBSA and VWSA. All companies claim that responsibility for the environment and good relations to the South African government are important. Letlape, Buys, and Nonkqubela, for example, acknowledge the significance of establishing an equal dialogue and co-operation with the South African government. Owing to the fact that all three automobile companies already make use of advanced environmental technologies and have a high level of environmental standards, one could expect that the three companies would promote CSR activities at the national level. On the part of the government, Hanks et al. (2008) argue that CSR "does not constitute a discrete focus area within government". In contrast to the European Union where a number of policies actively promote CSR, "various efforts to engage the Department of Trade and Industry and the Treasury on this issue, have generally been met with caution or

even resistance” (ibid., 2008: 10). BBBEE, of course, is an exception since it has important ramifications for many aspects of CSR.

Looking at environmental issues brings to light the reasons for the absence of interactive government relations at BMW SA, MBSA and VWSA. The study by Hönke et al. (2008) revealed that the South African automotive industry stands out because of its lack of fostering consultative activities as compared to South African companies in the mining, food and beverage, and textile industries.³⁹ According to Hönke et al. (2008), neither the South African government nor the automotive sector has strong incentives to cultivate a better dialogue and strengthen environmental CSR activities.

Furthermore, it seems that the prevalence of social problems overshadows environmental aspects. There are some PPPs like the Soshanguve Health and Wellness Centre of BMW SA, the Schools Start-up Programme by MBSA or the Save the Children Forum and the Masibambane African Action Group by VWSA, through which the companies collaborate with local governmental institutions. When the national government speaks of CSR, it primarily refers to social issues like BEE. Some CSR projects were only initiated after popular politicians like Mandela or Mbeki explicitly requested companies to get involved. Examples are BMW SA’s financial contributions for the Nelson Mandela Children’s Fund, and the memberships of MBSA and VWSA in the Business Against Crime organisation that was initiated by Mandela in 1996. Other activities in which the South African government was involved included advertising initiatives like the donation by BMW of “democracy cars” for the 10th anniversary of South African democracy in 2004. This is not CSR per se, but simply a step to create some positive publicity.

Another reason for the lack of environmental regulation and an absence of national civil society pressure is the fact that environmental standards in the South African automotive industry are already quite high. All automobile subsidiary companies in South Africa belong to global automotive groups that comply with high European, U.S. or Japanese environmental regulations and furthermore have adopted international standards like ISO 14001. “The automotive industry’s mode of production in South Africa are on a particular high level by all

³⁹ Their study “Fostering Environmental Regulation? Corporate Social Responsibility in Countries with Weak Regulatory Capacities: The Case of South Africa” (2008) analyses environmental CSR in the South African automotive, food and beverage, textile and mining sector. The paper is the result of a joint research project of the Freie Universität Berlin and the European University Institute Florence as part of the Collaborative Research Centre (SFB) 700. It discusses findings arrived at through several interviews held with the companies’ CSR representatives in 2007.

standards, that is, when compared to other domestic goods-producing industries and when compared to automotive production sites internationally” (Hönke et al., 2008: 17). Thus, the government does not deem that the automobile companies need any further guidance or legal security. Furthermore, the South African government, as well as South African consumers neither demand higher environmental standards nor more fuel-efficient vehicles. South African politics can better be described here as taking a “hands off” approach (ibid., 2008: 26).

Accordingly, good corporate citizenship at the three automobile subsidiaries basically relates to CSR in the production process. But as the global trend reflects, the use of their products contains the biggest pollution potential. The parent companies BMW, Mercedes-Benz, and Volkswagen have responded to this criticism by developing more fuel-efficient cars and increasing their research on alternatives to fossil fuel-based energy. BMW has announced it will use freed capital resources from the withdrawal of its Formula 1 engagement for the development of alternative propulsion technologies and CSR projects. The improvement of and success in corporate environmental performance is of crucial importance for the companies’ CSR strategy.

It seems that CSR in South Africa with regard to products is highly dependent on legislation on emissions reduction by the European Union and other Western countries that set the agenda for regional and international CO₂ emissions standards. In South Africa, however, BMW SA, MBSA and VWSA neither promote CSR initiatives that tackle awareness of their products with regard to global warming and pollution, nor do they offer a variety of more fuel-efficient cars (see Table 3). BMW’s fuel-efficient line is called *Efficient Dynamics*, Mercedes-Benz’s is *Blue Efficiency*, and Volkswagen’s has been named *Blue Motion*.

	Germany	CO ₂ emissions (g/km)	South Africa	CO ₂ emissions (g/km)
BMW	116d	118	118i	177
BMW	316d	118	320d	147
BMW	A 160 CDI BlueEfficiency	118	A 180 CDI	137
MB	B 180 CDI	135	B 200 CDI	146
MB	C 200 CDI BlueEfficiency	130	C 220 CDI	156
VW	Golf 1.6 TDI BlueMotion	107	Golf 1.6 TDI	135
VW	Jetta 1.6 TDI DPF	122	Jetta 1.9 TDI	135
VW	Passat 1.6 TDI BlueMotion	118	Passat 2.0 TDI	143
VW	Tiguan 2.0 TDI BlueMotion	139	Tiguan 1.4 TSI	171

Table 2: Model policy with regard to CO₂ emissions in Germany and South Africa⁴⁰

Whereas all three automobile companies offer models of their fuel efficient series in Germany, the Blue Efficiency or the Blue Motion series are hardly found on the South African market. CO₂ emission figures of vehicles sold in South Africa exceed German models' by about one fourth on average (see Table 3). It can be argued that this kind of model policy is the result of an absence of political involvement with regard to CO₂ standards, but also a lack of demand. Nevertheless, it reflects the same irresponsible position the three companies have been criticised for in Germany in the last years.

7.7 Summary

The intention of Chapter 7 was to examine the case companies' CSR response to global and national pressures. The three South African OEMs' CSR representatives all emphasise the role of CSI as a decisive CSR strategy. They all stipulate that CSR is mainly a response to social problems and influenced by the legislation of BBBEE. In the view of the questionnaire respondents, CSR is understood in terms of community development, workplace enhancement, healthcare improvement or even reparation. All three subsidiary companies present themselves foremost as *good corporate citizens*.

With regard to CSR implementation, differences between the parent and subsidiary companies are evident. At the German headquarters, CSR management was recently reorganised in order to increase and standardise internal CSR-related issues like compliance, risk or environmental protection structures. At the same time, sustainability boards have been

⁴⁰ Data according to <http://www.bmw.de>; <http://www.bmw.co.za>; <http://www.mercedes-benz.de>; <http://www.mercedes-benz.co.za>; <http://www.volkswagen.de>; <http://www.vw.co.za> (17. October 2009).

installed and so positioned to have a high impact on all top management decisions. This is not the case at the South African affiliates (yet). Even if CSR representatives are directly subordinated to the national CEO, CSR itself is not clearly and transparently organised. It is, moreover, still subordinated to the fields of communications, public and government affairs. Nevertheless, my research has shown that the South African OEMs are also restructuring their CSR aspects, as they must comply with their Group's guidelines, which demand a reorganisation and implementation of internal management standards and structures.

Whereas all three parent companies, and with them their subsidiaries, are committed to the most important global CSR standards, forums, guidelines, and management systems, the South African subsidiary companies lack a commitment to national CSR initiatives like King III. Only BBBEE is a logical exception, because adherence to BBBEE guidelines is a precondition for receiving projects in South Africa's public sector. The peculiarity of BEE within the South African CSR landscape is also reflected at the three automobile manufacturers. All three companies actively support BBBEE by providing employee education and training, promoting black leadership, outsourcing dealerships and other businesses to BEE empowerment groups and by verifying their suppliers' BBBEE compliance. Therefore, it can be assumed that all three companies play a beneficial and supportive role for change in South Africa towards more employment equity. However, there still is a lot of room for improvement.

Section 7.5 has demonstrated that the fulfilment of international CSR standards and the awareness of a powerful position within the South African economy have lead to a seemingly low involvement in national CSR initiatives by BMW SA, MBSA and VWSA. The three companies prefer lobbying to consultation and make use of classical business forums like NBI, NAAMSA or the MIDC instead of initiating multi-stakeholder initiatives. On the other hand, it must be noted that hardly any stakeholders exert pressure on the three OEMs. The CSR of BMW SA, MBSA and VWSA seems to be widely accepted by South African society.

Section 7.3 assesses BMW SA, MBSA and VWSA's CSR agenda. It reveals what issues the companies' CSR representatives rate as being most important for inclusion in a comprehensive CSR strategy and which CSR projects are actually being employed by the three vehicle manufacturers. This is supplemented by a more detailed investigation of the HIV/AIDS management at MBSA and of how the three OEMs deal with environmental issues.

The analysis in section 7.3 reveals that the CSR representatives rank social problems as much more important than environmental ones, while de-emphasising the problems of weak governance capabilities. The most important CSR issues here include the educational system and talent constraints, followed by public health concerns. South African's prevalent problems like inequality, poverty and crime are not considered being of primary importance for the companies. Environmental problems including global warming and pollution are even more underrated, as is a regular and good dialogue with the South African government.

Looking at recent CSR projects reveals a similar picture. All three companies support numerous community development projects that focus predominantly on social issues like education, health, and sports. Issues such as crime, environment, and politics are comparatively underrepresented (whereby BMW SA employs a fairly comprehensive environment/education CSR programme). Internally, CSR projects predominantly contribute to education and health initiatives that are intended to be profitable and further improve long-term competitiveness. Externally, the three companies understand CSR mainly as philanthropic activities and accentuate the improvement of conditions in the surrounding community of their South African headquarters or production plants. MBSA and VWSA, in particular, support a large number of community development projects. With the exception of some education and HIV/AIDS projects, the companies' CSR activities often involve issues that do not have a direct impact on the companies but address South Africa's most prevalent social problems.

With the example of HIV/AIDS management, MBSA illustrates what a well-managed win-win CSR strategy could look like. In this respect, MBSA has welcomed outside assistance from the GTZ, which has supported the company's initiative through financial support. Figures indicate that employees who have taken part in the programme benefit from better health and a longer life span, while the company actually profits financially from the CSR programme. That is why it has extended its HIV/AIDS workplace programme to its dealers, suppliers and some small and medium-sized enterprises in the local community, and promotes it as a best practice example in the Global Business Coalition.

The analysis of environmental impacts for CSR reveals that – with the exception of BEE – both the South African government and the three German automobile subsidiaries are not very interested in promoting a joint comprehensive CSR policy on environmental issues. According to Hönke et al. (2008), neither the South African government nor the automotive

sector has strong incentives to foster a better dialogue and to strengthen environmental CSR activities. While some social projects include PPPs with local government authorities, the assessment of environmental CSR reveals an absence of South African politics and little interest by the three case companies. The reasons for this include:

- The environmental impact is not a pressing issue in South Africa;
- Environmental standards that are already being implemented go far beyond what the South African state could propagate and implement in the foreseeable future. Accordingly, the companies do not require any guidance by the South African government;
- Political authorities seem to not be interested in engaging in CSR activities;
- The companies' primary interest is to strengthen competitiveness by claiming subsidies and lobbying for certain trade and competition policies;
- BMW SA, MBSA and VWSA are aware of their powerful position within the South African economy. They choose lobbying instead of consultation and make use of traditional forums (NBI, NAAMSA, MIDC) instead of engaging in multi-stakeholder initiatives;
- There seems to be no risk for potentially more stringent environmental regulations. Companies play out their power advantages by falling back on exit threats.

The company – government relations reflect a form of power politics instead of a sustainable approach. Furthermore, it is also evident that the European environmental standards do not apply to the South African market. Here, the three companies still pursue a more profitable but environmentally more devastating product policy. CSR has not brought any decisive change with regard to environmental policies and government relations. Nevertheless, a recent development is that the companies have been lobbying for higher environmental regulation in order to protect the market, especially from cheaper Asian competition.

Chapter 8 Summary and Conclusions

8.1 Executive Summary

This study aimed to determine what impact Corporate Social Responsibility practices and policies have on the role of multi-national corporations in the modern world-system. In this context, it has been acknowledged that CSR is a constantly evolving concept (Davis et al., 2006); no clear-cut definition of CSR exists and it is contested whether CSR can actually be distinguished and considered an independent scientific concept. But it is also evident that CSR is a widely discussed concept. The recent debate on CSR has focused on business, and aims to improve CSR strategies in order to embed social and environmental issues into the business process. Several authors including McFalls (2007: 90), however, point at “incompatibilities between business realities and development imperatives” and call for a more critical and broader discussion of CSR. That is why this study has criticised the limited view of CSR and attempted to critically study the role of CSR, not only for the economy, but for society and the political system as well.

Chapter 1 illustrates how such a comprehensive CSR study ought to be organised and what questions have to be addressed. It is argued that comprehensive CSR analysis should include both viewpoints, that of free market proponents and of regulationists that contradict each other, but, at the same time, share similar views on CSR. Both sides argue that corporations should not/cannot be socially responsible, at least not to a substantial extent. Whereas free market proponents believe that business is beneficial for society, particularly when it neglects social issues and focuses solely on profit, regulationists do not believe corporations are socially responsible, and that social and environmental issues should be regulated by the state. Nevertheless, there is and has always been something like CSR and its real impact can be found somewhere in between these two viewpoints.

This study has been an analysis of both views; it includes an understanding of social justice, as well as of economic criteria like resource efficiency and profit maximisation. Furthermore, this assessment of CSR examines the general environment it is embedded in and its context in various disciplines such as history, the social environment, economic rationality, and the political dimension. This has been done by dividing the thesis into two parts. The first part

focuses on the development of a comprehensive and clear CSR understanding and definition. The second part is a critical analysis of actual CSR cases; i.e., the analysis of three TNC subsidiaries in the semi-peripheral country South Africa.

CSR has been defined by Baron (2001: 8) “as a normative component of the social contract between business and society.” Thereby, the concept describes a corporation’s social and environmental responsibility with regard to the state and civil society (externally), as well as employees and shareholders (internally). The underlying goal of CSR is sustainable development that requires corporations to have a long-term orientation. The nature of CSR has, according to Carroll (1979), been divided into discretionary/ philanthropic, ethical, legal or economic CSR.

A study of the evolution of CSR has exemplified that the concept is contradictory. The history of corporations reveals that capital accumulation defines the major principle of every large modern business corporation, enforced by its three characteristics: shareholder value, limited liability and a close interrelation with the political system. Whereas the term social responsibility implies a benefit for society, *ammoral* corporate behaviour is actually reinforced by the corporation’s legal setting. Hence, corporations will always focus primarily on increasing the value of its shares. Accordingly, CSR is reduced to merely a profit strategy.

Even if corporations have engaged in social and environmental activities since their establishment, the developments of late capitalism illustrate that CSR has evolved from philanthropy towards a more strategic approach. Some authors even reduce the core management strategies of TNCs to CSR. Consequently, Chapter 6 illustrates that CSR can be understood as a direct business response to major developments of late capitalism like the weakness of nation states, changes in social cohesion and an increase of social and ecological problems. The concept has been accepted by corporate officials as a strategy to answer and prevent criticism, create financial value and maintain power within the MWS. Yet, it remains unclear whether corporations will play a more beneficial role in future.

The second part of the thesis looks at how three specific case companies implement their CSR strategies. An introduction of BMW, Mercedes-Benz and Volkswagen as the units of analysis and South Africa as the case country reveal some peculiarities with respect to CSR. It is evident that following the end of apartheid, massive social problems, a lack in governance in terms of environmental issues all place certain requirements on CSR. At the same time, the

three German subsidiaries' CSR is still developing from a stakeholder tradition towards a more global, comprehensive and strategic approach, while maintaining some aspects of social tradition.

It has been determined that the three corporations take a holistic approach to CSR, with sustainability being perceived as the most important business concept. CSR at the three parent companies BMW, Daimler and Volkswagen has a long tradition and is anchored in various ways. Furthermore, all three corporations have very similar approaches to CSR, which is implemented directly by the board of management through an established CSR office. Internally, the automobile Groups have implemented several mechanisms that foster stronger CSR. However, some global civil societies criticise the companies' lack of corporate transparency and the environmental record of their vehicles. Thus, in terms of environmental protection, the claim could be made that CSR has failed to some degree, as the three corporations only began to take eco-efficiency concerns seriously at a fairly late stage. This is an indication that CSR has not yet been fully integrated into the companies' core business.

BMWSA, MBSA and VWSA follow their parent companies' CSR approach and consequently also acknowledge the holistic approach to CSR and the profit motive. The representatives of the three South African subsidiaries emphasise the role of CSI as a decisive CSR strategy and perceive CSR mainly as a response to social problems and as being influenced by BBBEEE. Differences between the parent and subsidiary companies in terms of CSR implementation are clearly perceptible. At the German headquarters, CSR management has been reorganised to increase and standardise internal CSR-related issues including compliance, risk management, and environmental protection. Moreover, sustainability boards have been established that are directly involved in top management decisions. Such restructuring has not yet taken place at the South African subsidiaries.

While all three corporations and their affiliates in South Africa are committed to the leading global CSR standards, forums, guidelines, and management systems, BMW SA, MBSA and VWSA lack dedication to national CSR initiatives. They actively support BBBEEE and monitor their suppliers' BBBEE compliance, implying that the subsidiaries play a beneficial and supportive role for change in South Africa towards more employment equity. Another exemplary initiative is MBSA's CSR involvement in HIV/AIDS, which represents a typical *win-win* CSR strategy. Its HIV/AIDS policy is one that has a positive impact not only for the company, but for society as well.

All three companies support several community development projects that focus on social issues such as education, health and sports. Crime, the environment and politics are issues that are not of particular interest for the subsidiaries, which is emphasised by the South African CSR representatives at the three companies, who rank social issues as much more important than environmental and weak governance problems. The most important CSR initiatives for the affiliates thus include the educational system and talent constraints, and public health.

BMWSA, MBSA and VWSA prefer to make use of lobbying and of classical business forums including NBI, NAAMSA or MIDC to consultation and multi-stakeholder initiatives. On the other hand, the three companies are not exposed to any serious stakeholder or civil society pressure. Both the South African government and the three subsidiaries are not particularly interested in promoting a joint comprehensive CSR policy on environmental issues, nor to foster a better dialogue. Consequently, there is still plenty of room for improvement with regard to environmental protection and multi-stakeholder dialogue.

8.2 Conclusions

The aim of this study was to analyse specific CSR strategies in order to draw conclusions about the impacts of CSR for the MWS. The conclusion thus assesses whether CSR can be cited as a concept that contributes to a more sustainable form of capitalism. This study has taken a critical socio-economic approach that includes the micro-perspective of the case companies and the macro-perspective of society and the political system. Critical CSR analysis must include a focus on ideological underpinnings, its governance dimensions, the impact of its initiatives, as well as the power of and participation in CSR (cf. Prieto-Carrón et al., 2006). Such a critical analysis has been carried out with a case study analysis of BMW, Mercedes-Benz, and Volkswagen's CSR in South Africa. The conclusions now intend to evaluate the findings of the case study analysis and to link them with the theory, hypotheses and research questions stated in the first part of this study.

The overarching hypothesis is that *Corporate Social Responsibility is an important development within modern capitalism, but will not modify the fundamental structures and dynamics of the modern world-system*. This section evaluates whether the stated hypothesis can be verified or falsified. The evaluation must include the two dimensions of the hypothesis. On the one hand, it must be determined whether CSR can be defined as an important

development within modern capitalism. On the other hand, the future prospects of CSR must be evaluated by assessing whether CSR can be described as a concept capable of changing the fundamental structures and dynamics of the MWS.

What would characterise CSR as an important development of modern capitalism? This study argues that modern capitalism is characterised by (1) a transformation of power within the triangle consisting of the state, economy and society, and (2) an increase of social and ecological problems. Accordingly, in order to classify CSR as an important development of late capitalism, one must investigate (1) what role CSR plays within modern capitalism, (2) whether CSR has a decisive impact on social and environmental problems, and (3) how strong its effects are on the relationships within the triangle business, society and state.

8.2.1 The Business of CSR is Business

The case study has illustrated that the three companies have assumed a comprehensive approach to CSR. The evaluation of corporate representatives' understanding of CSR at the parent and subsidiary companies reveals that a corporate CSR perspective is taken that is similar to the CSR definition of Chapter 2. At all three companies, representatives have argued that CSR can be understood as the company's response to social and environmental developments and the problems of late capitalism. Furthermore, they argue that sustainability is their company's primary strategy. The analysis of CSR organisation at all three companies reveals that they have established a CSR board that seems capable of monitoring and shaping the companies' global business strategies. Accordingly, it can be argued that all three companies have taken a holistic approach to CSR, while CSR has been integrated into the core management process.

The case study illustrates that the recent CSR debate is characterised by two specific developments. On the one hand, CSR refers to a broadening of the scope of business management. This is indicated in an increase of the implementation of new CSR management areas like HIV/AIDS, compliance, environmental and social risks, and an extension of integrated management systems on social and environmental standards; areas that were neglected by previous business managers. On the other hand, CSR is developing into a business strategy, i.e., CSR programmes are predominantly designed to contribute to corporate profits. This is exemplified by the fact that companies increasingly include

benchmarking, monitoring and cost-benefit calculation objectives into their CSR programmes. This, however, is also due to the fact that CSR increasingly orientates itself toward internal management systems that – although they include social and environmental objectives – are aimed at quality improvements, a better workplace environment and other forms of corporate efficiency gains. Examples are the companies' education and health programmes and the standardisation of business processes in accordance with social and environmental issues.

In sum, it can be argued that CSR reflects the integration of social and environmental issues into the business process. Thus, corporations increasingly follow a business understanding that includes a uni-disciplinary approach as defined by Strange (1996) and Wallerstein (2001, 2004), by taking a more holistic approach to business through the promotion of the CSR concept. Accordingly, CSR can be valued as an important development of modern capitalism, since CSR allegedly indicates a change of perception in business behaviour. This implies that corporations increasingly adapt their activities in order to gain social acceptance and promote environmental sustainability. At the same time, it can be contested whether CSR should still be labelled "CSR". When the previously cited initiatives are undertaken not because they are socially responsible, but to reduce costs, then "to credit these corporations with being 'socially responsible' is to stretch the term to mean anything a company might do to increase profits if, in doing so, it also happens to have some beneficent impact on the rest of society" (Reich, 2007: 171).

Critics, however, could cite the large number of philanthropic CSR activities by the three case companies and a variety of community projects that include partnerships with civil society or state actors to exemplify their CSR policy which aims to make a societal difference. Here, the profit impact seems not to dominate the respective initiative in the first place. A more detailed look at the (external) CSR programmes, however, reveals that the large number of philanthropic initiatives does not contradict the profit motive. It shows instead that there are various other factors that influence the South African CSR strategies. The subsidiaries employ a variety of community projects because they must meet the expectations and legal requirements of the South African government. These initiatives are a response to pressures by civil society groups (while these are virtually absent with regard to the three South African automobile subsidiaries), enforced by BBBEE or the attempt of the respective company to present itself as a good South African corporate citizen as part of its national and global marketing strategy and corporate tradition. Moreover, section 7.4 has shown that social

funding has an impact on corporate taxes. The financial support of various social philanthropic initiatives corresponds to a reduction of corporate taxes. Thus, the employment of a large number of philanthropic activities – often outsourced to bodies like the VW Community Trust – has no decisive negative impact on corporate profits but helps to present the companies as good South African citizens. All three case companies furthermore belong to a group of leading TNCs that can afford to employ some philanthropic initiatives that include donations to NGOs and local community initiatives, as well as contributions to external lobbies, political parties or publicity events. Within the wide range of community projects, it is often difficult to determine whether they are some form of marketing or simply a gesture of philanthropy.

It could be assumed, however, that the number of philanthropic initiatives funded by BMW SA, MBSA, and VWSA will decline. The AHK survey (2008) already indicates that the importance of PPPs at German companies in South Africa has declined from nine in 2006 to five in 2008. With a further increase of the profit motive within the CSR debate, corporations may try to focus their CSR activities less on projects while trying to ascertain their business impact. Furthermore, the case study has shown that the South African affiliates lack strategic CSR implementation in comparison to their parent companies. Accordingly, the subsidiary companies face a further reorganisation of their CSR policies that may also include a sustainability board, for example, that reviews the necessity of all CSR activities. I assume that the companies' CSR initiatives will be more oriented towards projects like the case companies' HIV/AIDS programmes. These illustrate how CSR projects might look like in future, since they have demonstrated that taking a comprehensive management approach to a social problem can have a significant business impact and actually lead to a *win-win* situation. Comprehensive HIV/AIDS provision and treatment has lead to a variety of benefits for the company that implements them. Accordingly, it increases the well-being of the workforce, improves the reputation of the company worldwide and even reduces costs in the long-term.

Concluding this section, it can be argued that CSR mainly refers to a development that corporations increasingly include to manage social and environmental factors. One can even speak of a "socialisation" of companies but must point out that the recent CSR debate has reinforced CSR's limitation in terms of the profit motive. In sum, CSR has become a mere business strategy that is influenced by two elements: the profit motive on the one side, and a regulative framework on the other.

A limitation of the significance of this study must be pointed out here. Even if the case companies follow a business approach that converges social responsibility and profitability over the long-term, it is not clear yet whether this strategy will prevail. A majority of TNCs, especially from emerging countries, have no comprehensive CSR strategies in place. Thus, it is not clear whether they will adapt comprehensive CSR strategies or continue to make use of cheaper pricing while neglecting social and environmental responsibilities. Without broad consumer and governmental demand it is conceivable that companies that abstain from high quality employment and production standards will be more successful over the long-term. Despite the studies of how sophisticated consumers have become, it remains arguable whether ethics really matter when it comes to actual purchasing behaviour (Carrigan & Attalla, 2001). Furthermore, globally leading TNCs with comprehensive CSR do not represent typical businesses. An ordinary business is not organised like a corporation, but rather like an individual proprietorship or partnership that does not have the capabilities to employ such comprehensive CSR strategies like the leading TNCs (Kaysen, 1996). Thus, it remains unclear whether the CSR strategies that have been put in place at the three case companies represent a general development of the modern world-economy and whether CSR will consequently become an important element of modern capitalism.

8.2.2 Positive Impacts of CSR

As illustrated above, CSR is a business-focused concept and thus its positive impacts affect mainly the business process itself. It is therefore the employees who gain from good working conditions, education programmes or HIV/AIDS provision. The companies themselves profit from risk management systems, compliance management and high production standards. When one speaks about the impacts of CSR, one has to look at more far-reaching developments that include an analysis of what CSR has contributed to society. In order to analyse CSR's impacts, a distinction can be made between *good* and *bad* CSR. CSR in a positive sense implies that corporations help improve social and environmental conditions while reducing harm to their employees, to society and the political system (Rittberger, 2008). According to section 1.5.2, CSR activities can be labelled a form of *sustainability* if (1) corporations internalise their negative external effects (cf. Googins et al., 2007; Jones & Haigh, 2007), and/or (2) CSR activities have far-reaching, problem-solving competence (cf. Prahalad, 2006) and promote a greater provision of positive external effects (Jones & Haigh, 2007).

The case study shows that the case companies' social responsibility initiatives do not have far-reaching impacts on the South African society at large. Of course every external CSI initiative probably has a beneficial effect to the programmes' participants, but this effect is quite limited as it cannot impact South Africa's society expansively.⁴¹ One of the highlighted good practice CSR examples is MBSA's HIV/AIDS programme that has recently been extended to the plant's local community. The company claims to have expanded HIV/AIDS care by more than 8,000 employees that do not belong to MBSA. But overall, even if MBSA's CSR initiative represents a positive CSR example, "it is unlikely that the company can 'solve the problem' of a high prevalence rate even within its own facility" (Seitz et al., 2002: 12), so how can CSR then have a far-reaching impact on the South African society as a whole?

There are, however, two developments worth mentioning. On the one hand, all three subsidiaries, BMW, MBSA, and VWSA were able to reduce CO₂ emissions, energy and waste consumption at their factories over the last four years while increasing production. Accordingly, the case companies can be labelled as internalising negative environmental externalities.⁴² On the other hand, all three automobile companies were able to increase accountability. All three case companies implement forms of stakeholder dialogue (although there are qualitative differences between the three companies). Furthermore, at least the parent companies have become more transparent by adhering to the GRI guidelines and to COP. At the same time, transparency is still a decisive shortcoming at the three subsidiary companies. It remains uncertain whether the affiliates will follow in their parent companies' footsteps to implement transparency standards; it probably depends on the willingness of a global CSR agenda to assert stronger transparency guidelines for subsidiaries.

In summary, it can be argued that the most positive impacts of the case companies' CSR strategies is the reduction of damage to society and an increase of corporate accountability. That, however, does not make CSR into a concept that is capable of decisively alleviating any

⁴¹ It must be acknowledged here that this study has not analysed every single project. In order to do so, much more research is needed. Studies that critically examine individual CSR projects are rare. In order to classify the potentials of individual external CSR projects and to draw a conclusion about its impacts and prospects, a more in-depth analysis of almost every single CSR project is required.

⁴² It requires, furthermore, a much longer period than four years to determine whether the three companies really have followed a sustainable course with regard to ecological consumption. An evaluation of the CO₂ emissions, energy and waste consumption figures (from 1997-2007), for example, reveals that BMW, Daimler, and VW's consumption has increased in total (BMW, 2009; VW, 2009; <http://sustainability2009.daimler.com>). Nevertheless, this study reveals that CSR can be connected to a reduction of negative environmental externalities; a further reduction would imply that the three companies are shifting away from a former continuous increase of resource consumption and pollution.

social or environmental problems. The three companies, of course, may have reduced some pollution but they still do not compensate for all the negative environmental effects they produce, just as they help to improve social conditions but do not play a decisive role in resolving South Africa's social problems. All three case companies have promoted a proliferation of social standards, because high social standards benefit their businesses. Yet, this study leaves unanswered whether the case companies' high CSR standards have a pull effect, i.e. that other companies follow in terms of social and environmental standardisation. One example for further analysis would be MBSA's extension of its HIV/AIDS management to local small and medium-sized enterprises. Accordingly, a further open research topic could be to assess in more detail how the three case corporations' CSR strategies affect CSR at other South African companies, for example, their suppliers, in order to determine whether a comprehensive CSR strategy leads to reproductions of comprehensive CSR.

8.2.3 Negative Impacts of CSR

Direct *negative* CSR strategies are difficult to find. The term *negative* CSR implies that CSR strategies and programmes actually harm society or the state. In most cases, when corporations negatively affect either one of the two systems, the reason is not a specific CSR programme, but rather irresponsible activities in general that may actually point to a lack of CSR. There is one important example that illustrates that all three case companies lack comprehensive CSR with regard to the companies' product policies. Even if most of the automobiles the three South African affiliates produce comply with South African environmental standards, the products are still far below those standards that the companies *could* actually offer. The models currently being offered by BMW SA, MBSA and VWSA are far below their most fuel-efficient cars being sold in Europe in the past. Hence, it seems that the companies are repeating the same mistakes they made in Europe over the last years. Without binding agreements, the automobile companies remain within their traditional pattern of believing that consumers demand high technology, powerful cars while neglecting the upcoming market for more fuel-efficient premium automobiles.

Whereas BMW, Daimler, and VW have cited that their CSR includes a more environmentally friendly product policy because this would actually bring long-term economic success, the environmental policy in South Africa illustrates that voluntary CSR seems not an appropriate substitute for effective regulation. Companies do not introduce more fuel-efficient cars at the

same pace when they are not forced to do so, even when the introduction could bring a profit in the long-term. Accordingly, with regard to their product policies, all three companies are in a transitional phase but in South Africa, they continue to pursue a cheaper, easier and short-term oriented and environmentally more devastating strategy. This makes clear that comprehensive CSR is highly dependent on effective regulation and outside pressure.

In a more theoretical dimension, research of the first part of this study has shown that CSR should be set in a much broader framework in order to determine whether *negative* CSR exists. It was stated that CSR can be labelled as negative when it represents a supportive form of neoliberalism (Cutler, 2007).

“The problem, however, is not just that structural conditions impose limits on CSR, or that perversity and do-gooding coexist; it is also that the scaling-up of the CSR agenda or the process of embedding liberalism seem to be dwarfed by ongoing economic liberalization or ‘disembedding’ [...]. Yet the scale of this disembedding is often downplayed or wished away in mainstream CSR discourse, or it is assumed that the CSR snowball, as it gathers momentum, will eventually outstrip and overtake any disembedding process” (Utting, 2005: 19).

Cutler (2007: 209) contends that corporations have taken a “leading role in promoting CSR initiatives and they have a vested interest in seeing that the movement remains rooted in voluntary, soft, self-regulatory norms”. This raises the question of who benefits from CSR and points to the interests served by the privatisation of corporate norms (ibid.). As we have seen, the three case corporations (the parents and subsidiaries) are at the forefront of the global CSR agenda. They promote organisations like the Global Compact or the Global Business Coalition on HIV/AIDS and thus promote alleged advantages of voluntary self-regulation. Applying the GC or the OECD guidelines does not symbolise a great achievement or sacrifice for the three case companies; they would adhere to these guidelines either way because they are forced to do so in environmental terms in accordance with European legislation and in social terms because they want to be an attractive employer and consequently implement attractive working conditions. They furthermore do not make use of child-labour or other forms of adverse working conditions that could raise the attention of civil society groups. Accordingly, membership to global CSR forums is explained by the interest to shape the global CSR agenda. Decisive positive impacts for the South African society, again, are limited.

Determining the social and environmental agenda in the company's favour may imply an economisation of areas that are better compensated by the state in order to meet general public expectations. Rowe (2005), for instance, argues that the efficiency principle in environmental CSR initiatives reflects the establishment of a crucial link between neoliberalism and regulatory struggles over the environment. According to Liston-Heyes and Ceton (2007: 97), Sim, who published a political theory study of CSR in 2005, provides "a compelling body of evidence indicating that major firms in the US regularly use CSR as a tool to modify or influence the regulatory framework in their favour." And in South Africa as well, the case study reveals that the three subsidiary companies favour a form of lobbying to multi-stakeholder dialogue. However, as argued in the first part of this study, CSR can make an exception when corporations help sustain and strengthen other external actors and include other interests aside from the profit motive in the debate and in their CSR programmes. According to Zadek (2004) and Utting (2005), multi-stakeholder initiatives represent an advanced stage for the operationalisation of CSR. They signify a hardening of the approach in relation to corporate self-regulation, which is the reason why business often opposes multi-stakeholder initiatives, "arguing that self-regulation is sufficient to meet the challenge of improving company social and environmental performance" (Utting, 2005: 15).

With regard to a fairer multi-stakeholder dialogue with the South African society and government, the three case companies demonstrate, more or less, the contrary of *inclusive* capitalism. The case study has illustrated that the three subsidiary automobile manufacturers continue to keep to the traditional patterns of power politics. Attempts to use the NBI, the MIDP or NAAMSA to advance a fair dialogue about social and environmental conditions with the South African government have also been infrequent; what is more striking is the absence of government relations (cf. Hönke et al., 2008). Whenever the companies sought a governmental dialogue, it was mainly to pressure the South African government for more favourable trading conditions or subsidies. A national dialogue with civil society movements and NGOs is, furthermore, almost totally absent. Of course, it must be acknowledged that neither the South African government nor civil society movements or NGOs have shown interest to pressure the three case companies. There are many other more pressing social and environmental problems than addressing the already high social and environmental standards of the three case companies. Nevertheless, it can be finally argued that CSR does not represent a fundamental change in the MWS; it actually strengthens a neo-liberal agenda while sticking to the same tools of lobbying instead of more equal forms of multi-stakeholder dialogues.

Thus CSR itself has become a form of power within the South African economy. What Zadek (2004) has coined as “responsible competitiveness”, has turned into a form of lobbying for the restriction of competition. This is evinced by the corporate leaders who exploit the fact that they already adhere to high environmental standards and pressure the South African government to increase environmental regulation. Thereby, it remains unclear whether South Africa’s society benefits more from better environmental standards than from greater competition. This is in line with Moon’s assertion (2007) that some corporations view CSR as a possible strategy to gain economic advantages over their competitors.

8.3 Recommendations

In summary, this study has revealed that CSR has three major impacts. The first is that CSR increasingly becoming subordinated to mere business logic. Thus, taking social and environmental aspects into consideration has become a basic condition for a group of leading TNCs like the three case corporations. At the same time it becomes more difficult to define whether a corporate strategy can be labelled as CSR. While companies implement CSR strategies in order to become less vulnerable to social and environmental risks, the impacts of these for the wider society stay limited; societal benefits may even be reduced through the recent development of the economisation of CSR, while it remains unclear whether they really reduce negative environmental effects in the long-term. Third, comprehensive CSR does not prevent big TNCs from making use of their powerful position within the MWS; CSR has even become a corporate strategy to sustain and increase TNCs powerful position within the global and national society. Furthermore, CSR itself has become an important strategy that influences the global and a national framework to one’s own favour.

If the conclusion of this study is that CSR refers more to a socialisation of companies than to a re-embedding into a more equal setting of the triangle of state, society and the economy, further research should primarily concentrate on how the international and national CSR framework develops. At the micro perspective, this study has contributed a lot of attention towards internal CSR while including a lot of sources from the companies themselves or other organisations that are not independent of the companies. The global CSR agenda dominates research on specific CSR projects; independent research on this case study’s issues is rare. Accordingly, I had to deal with a lack of critical content in terms of multi-stakeholder projects, an absence of South African civil society organisations that tackle automobile issues

and the fact that mainly corporate representatives answered my questionnaire. Accordingly, further research should concentrate in more detail on individual PPP-projects and other forms of multi-stakeholder initiatives involving companies. Only if more research is carried out in this field can a more comprehensive and critical conclusion be drawn.

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APPENDIX 1: Internal CSR

	BMW SA		MBSA		VWSA	
	Programme	Addressee/Prescription	Programme	Addressee/Prescription	Programme	Addressee/Prescription
Education	Adult Basic Education	Employees	Graduate Programme	Traineeships	Volkswagen Education and Training Institute (ETI)	Technical, manufacturing, leadership, management and business skills development
	BMW Early Learning Centres	Young employee children	Disability Learnership	Employees	Volkswagen Dealer Academy	Training + PPP with Department of Labour and Merseta ("Future Skills-Project")
	Educational Programmes	Older employee children	MDP (Management Development Programme)	Employees		
	Training Academy	Assists historically disadvantaged candidates to become dealer principals	LDP (Leadership Development Programme)	Employees		
Healthcare	Tailor Made Program	HIV/AIDS, provision and testing	HIV/AIDS Workplace Project	Addressing, prevention, testing, treatment	HIV/Aids Programme	Education, awareness, testing, health care
	Wellness Program	HIV/AIDS treatment			National Treatment Centre	Identifying sicknesses like tuberculosis (TB)
	Task Team	HIV/AIDS workplace policy and management				
Environment	Environmental standards	Lowering consumption, recycling, waste management	Environmental standards	Lowering consumption, recycling, waste management	Environmental standards	Lowering consumption, recycling, waste management
					Environmental Awareness	internal campaigns, and also through education and training of employees

APPENDIX 2: External CSR at BMW SA

	Programme	Description	Location	Spending
Education	Nelson Mandela Ndonga School and Clinic Project	Building of a secondary school and primary health care clinic		5 million
	Technology Laboratory on the Mamelodi campus of Vista University	Sponsorship		
	BMW Centers for Excellence	Mathematics science and technology		
Healthcare	Soshanguve Health and Wellness Centre	PPP with SEQUA (an agency of the German Federal Ministry for Economic Co-operation and Development), the Karl- Monz Stiftung, 3M South Africa, the Gauteng Education Department, Tshwane Local Council and the Ikhwezi Group.		
	BMW LoveLife	Youth Center against HIV/AIDS	Knysna	
Crime				
Sports	Tuks/BMW Kagisano Sport Development project	Funding to develop and upgrade sports facilities		
Community Development	OSHAD (Odi Self-help Association for the Disabled)	Equipping disabled people with business and technical skills		
	MODE (Medunsa Organisation for the Disabled)	Equipping disabled people with business and technical skills		
	BMW House	Home to about a dozen abandoned children at the SOS Children's Village	Mamelodi	
Environment	Schools Environmental Education Development project (SEED)	Primarily: Increasing environmental awareness and encouraging a spirit of community involvement amongst South Africa's children.	Mamelodi, Mpumalanga, KwaZulu-Natal, and the Eastern Cape	
Political	No information	Various memberships		

APPENDIX 3: External CSR at MBSA

	Programme	Description	Location	Spending
Education	Mercedes-Benz Coastal Education & Visitors' Centre	Sponsoring	East London	
	Rally to READ	Business Trust	Eastern Cape, sponsoring	
	CIDA City Campus		National	
	Schools Start-up Programme	Primary education, Partnership with the Eastern Cape Dept. of Education		
	University of Stellenbosch National Black MBA Association	Annual Student Competition	National & USA	
Healthcare	Siyakhana SME HIV & Aids Project	Community Investment	Eastern Cape	
	Hillcrest Aids Centre	Funding	KwaZulu Natal	
	St Bernard's Hospice	Funding	East London	
	Mamelodi Hospice	Funding	Pretoria	
	Trucking Against Aids Wellness Centre	Funding	East London	
	Baby Therapy Centre	Funding	Pretoria/Mamelodi/Salvokop	
Crime	Business Against Crime	Funding	National	below R500,000
	Crime Reporting Boards	Membership	Mdantsane/Buffalo Flats/Duncan Village, Buffalo City	
Sports	Paralympic Team	Sponsoring	National	
	Laureus Sport for Good Foundation Trust	Sponsoring	National	
	Border Cricket Development	Sponsoring	Eastern Cape	
	SA Disabled Golf Association	Sponsoring	National	
	Sport Heroes' Walk Against Aids	Sponsoring	National	
	Wheelchair Basketball SA (WBSA)	Sponsoring	National	
Community Development	Employee engagement:	various forms of engagement	Local and national	
	Global Road Safety	Partnership	National	
	Jacaranda Children's Home	Funding	Pretoria	
Environment	Peace Parks Foundation	Funding	National, international	
	World Wide Fund for Nature (WWF) bursary	Awarded to women from a rural community for studying towards a Certificate in Natural Resource Management at the SA Wildlife College	Limpopo	

Political	Business Leadership SA	Membership	National	
	Business Trust	Membership	National	
	Chambers of Commerce/Business	Membership	National	

APPENDIX 4: External CSR at VWSA

	Programme	Description	Location	Spending
Education	Nelson Mandela Metropolitan University	PPP, partnership between Volkswagen of South Africa, the NMMU, and the German Academic Exchange Service (DAAD); provide engineering students with research capacity and help them identify applications for new technologies in component and vehicle manufacturing processes	Port Elizabeth	R7 million
	Arrive Alive	Website Sponsorship (focusing on road safety and awareness)	National	
	Autotronic Learnership	training multi-skilled artisans	Local	
	CATCH (Caring, affirming and training children and young adults) Projects	Bursaries	Primarily Port Elizabeth and Uitenhage area	R1 million
	Volkswagen Driving Academy	Driving courses	Johannesburg	
Healthcare	Save the Children Forum	PPP with NGOs and local government departments, HIV/Aids	National	
	Phaphamani Rape Crisis Centre	Funding		R200 000
	New Life Pregnancy Crisis Centre	Funding	Eastern Cape	
Crime	Business Against Crime	funding	National	more than R500,000
Sports	Soccer Development Initiative (SDI)	Sponsoring	National	R5,5 million
	Bay United Academy	Sponsoring	Port Elizabeth	for all
	Herald Volkswagen Cycle Tour	Sponsoring	Port Elizabeth	sponsorships
	Hockey Association	Sponsoring	National	
Community Development	Uitenhage Despatch Development Initiative (UDDI)	PPP, upgrade the Uitenhage area to increase employment and create a world-class centre for both citizens and industry	Uitenhage	
	"One Hour for the future"	Employee involvement	Local	
	Volkswagen Community Trust	Socio-economic factors focusing specifically on education, youth development and job creation	National	R16 million each year

	Jerusalem Ministries	Funding	National	
	SHARE	Offers children protection and school attendance	Uitenhage	
	Masibambane African Action Group	PPP with the Department of Water Affairs and forestry (DWAF), water services sector support program		
	Advocacy against child trafficking	Funding	National	
	Betheli Christian Centre	funding	National	
	Ophamakama Community Based Development	Funding		
	Khanya Development Foundation	Funding		
Environment				
Political				

APPENDIX 5: Questionnaire

Questionnaire on Corporate Social Responsibility (CSR)




1. **Which of the following statements do you agree with?**
(Select all that apply)

<input type="checkbox"/>	1.1 CSR is a necessary cost of doing business.
<input type="checkbox"/>	1.2 CSR gives a company a distinctive position in the market.
<input type="checkbox"/>	1.3 CSR is meaningless if it includes things that companies would do anyway.
<input type="checkbox"/>	1.4 CSR is a waste of time and money.

2. **How do you define CSR?**
(Select up to three)

<input type="checkbox"/>	2.1 Taking proper account of the broader interests of society when making business decisions.
<input type="checkbox"/>	2.2 Maximising profits and serving the interests of shareholders.
<input type="checkbox"/>	2.3 Sacrificing some profits in order to do the right thing.
<input type="checkbox"/>	2.4 Providing welfare through employment and corporate tax payments.
<input type="checkbox"/>	2.5 Supporting/promoting law and new legislation.
<input type="checkbox"/>	2.6 Supporting initiatives that directly benefit society but do not directly benefit shareholders.




3. **Which of the following activities and behaviours apply to BMW, Mercedes-Benz and Volkswagen?**
(Please answer with “yes” or “no”)

			
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3.1 They go beyond statutory requirements in their treatment of employees (eg. Paying more than the minimum wage, implementing targets on diversity).
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3.2 Their decision-making process explicitly considers the views of and impact on external stakeholders.

			3.3 They actively require their suppliers to meet certain standards of behaviour.
			3.4 They contribute actively to public policy discussions even if they do not have a direct financial interest.
			3.5 They produce <i>socially</i> and <i>environmentally</i> responsible products (ie. Products that are explicitly defined by their ethical manner in which they are made or which meet environmental standards and expectations).
			3.6 They reward employees for their social impact as well as their financial performance.

4. What are the main business benefits to BMW, Mercedes-Benz and Volkswagen of having a defined CSR policy?

(Select up to three on each company)

			
			4.1 They have a better brand and reputation.
			4.2 They make decisions that are better for their business in the long term.
			4.3 They are more attractive to potential and existing employees.
			4.4 They meet the ethical standards required by their potential and existing customers.
			4.5 They have better relationships with regulators and lawmakers.
			4.6 Their revenue is higher than it would otherwise be.
4.7.1 Other, please specify:			
4.7.2 Other, please specify:			
4.7.3 Other, please specify:			
			4.8 None of the above; Their CSR policy does not benefit their business.

5. Which particular stakeholder groups are the most important to their business?

(Select up to three)

	5.1 Employees
	5.2 Consumers
	5.3 Governments
	5.4 Local communities
	5.5 Media, opinion leaders
	5.6 NGOs
	5.7 Boards
	5.8 Shareholders and Investors
	5.9 Organised Labour
	5.10 Suppliers
	5.11 Other
	5.12 None of these

6. Which of the following issues do you think have to be included into a comprehensive CSR strategy?

(Select all that apply and please give examples for chosen issues in the boxes below.)

	6.1 The production of more ethically produced products.
	6.2 The production of more environmentally friendly products.
	6.3 Minimise pollution.
	6.4 Improving the well-being of employees like
	6.4.1 healthcare
	6.4.2 paying high wages
	6.4.3 enhancing workplace safety
	6.4.4 improving workplace atmosphere
	6.4.5 education
	6.5 Community Investment.
	6.6 Donations.
	6.7 Sponsoring.
	6.8 Equal dialogue and co-operation with
	6.8.1 civil society
	6.8.2 global governance
	6.8.3 national government




	6.8.4 local governance.
6.9 Responding to national and global problems like	
	6.9.1 global warming
	6.9.2 resource scarcities
	6.9.3 public health issues (eg. HIV/AIDS, Malaria, nutrition, tuberculosis)
	6.9.4 education
	6.9.5 crime
	6.9.6 inequality
	6.9.7 poverty
	6.9.8 infrastructure (eg. clean water, electricity, roads)
	6.9.9 strengthening the national political system
	6.9.10 improving effective global governance.

Example refers to **6.** ____ and company: _____

Example refers to **6.** ____ and company: _____




7. Which of the following activities should BMW, Mercedes-Benz and Volkswagen implement to address CSR?

(Select up to three on each company)

			
			7.1 Fully embed CSR issues into strategy and operations (eg. management, communications, product development).
			7.2 Incorporate CSR standards in advertising and marketing.
			7.3 Have the board discuss and act on these issues.
			7.4 Engage in industry collaborations and/or multistakeholder partnerships to address developmental goals.
			7.5 Fully embed these issues into strategies and operations of subsidiaries.
			7.6 Embed CSR issues into global supply chain management (eg. expand the own CSR strategy on suppliers and distributors).
			7.7 Embed CSR strategy into the broader framework (eg. global and national standards).

8. Which of the following CSR issues have not been addressed sufficiently by BMW, Mercedes-Benz or Volkswagen?

(Select all that apply and please give examples for chosen issues in the boxes below.)

			
			8.1 The production of more ethically produced products.
			8.2 The production of more environmentally friendly products like
			8.2.1 less fuel consumption
			8.2.2 more efficient use of resources.
			8.3 Minimise pollution.
			8.4 Improving the well-being of employees in
			8.4.1 healthcare
			8.4.2 paying high wages
			8.4.3 enhancing workplace safety
			8.4.4 improving workplace atmosphere
			8.4.5 education.

			8.5 Expanding own CSR standards on suppliers and distributors.
			8.6 Ethical standards for advertising and marketing.
			8.7 Community investment.
			8.8 Donations.
			8.9 Sponsoring.
8.10 Enhancing a fair dialogue and co-operation with			
			8.10.1 civil society
			8.10.2 global governance
			8.10.3 national government.
			8.10.4 local governance.
8.11 Responding to global problems like			
			8.11.1 global warming
			8.11.2 resource scarcities
			8.11.3 public health issues (eg. HIV/AIDS, malaria)
			8.11.4 education
			8.11.5 crime
			8.11.6 inequality
			8.11.7 poverty
			8.11.8 infrastructure (eg. clean water, electricity, roads)
			8.11.9 strengthening the national political system
			8.11.10 improving effective global governance.

Example refers to **8.** ____ and company: _____

Example refers to **8.** ____ and company: _____

9. Which of the following socio-economic issues are the most critical to address for the future success of business?

(Please rate your five most important issues with 1 [most important] to 5 [less important, but more important than the rest])

	9.1 Educational systems, talent constraints.
	9.2 Workplace conditions, safety.
	9.3 Wages and retirement benefits.
	9.4 Job losses and offshoring.
	9.5 Access to clean water, sanitation.
	9.6 Poor public governance (eg. Weak states, conflict zones, corruption).
	9.7 Political influence and/or political involvement of companies.
	9.8 Making globalisation's benefits accessible to the poor.
	9.9 Security of energy supply.
	9.10 Public health issues (eg. HIV/AIDS, Malaria, nutrition, tuberculosis).
	9.11 Environment issues, including climate change.
	9.12 Demand for healthier or safer products.
	9.13 Human-rights standards.
	9.14 Inequality.
	9.15 Crime.
	9.16 Other.
	9.17 None of these.

10. Which tactics have to be strengthened in future to manage socio-political issues?
(Select up to three)

	10.1 Media, public relations.
	10.2 Advertising, marketing.
	10.3 Lobbying regulators and governments.
	10.4 Improving compliance with laws and regulations.
	10.5 Developing and implementing more policies on CSR issues.
	10.6 Using industry coalitions to develop joint responses to these issues.
	10.7 Engaging civil society groups (eg. NGOs).
	10.8 Engaging local, national and global political authorities.
	10.9 CSR reports.
	10.10 Increasing transparency.
	10.11 Philanthropy.
	10.12 Changing product-lines and -processes.

Thank you very much for your help. If you have further interest in my study please feel free to contact me at: mosjan@web.de.